

Global Beef Trade

The Challenges Facing U.S. Beef

Internationally, and at Home

Global Beef Trade

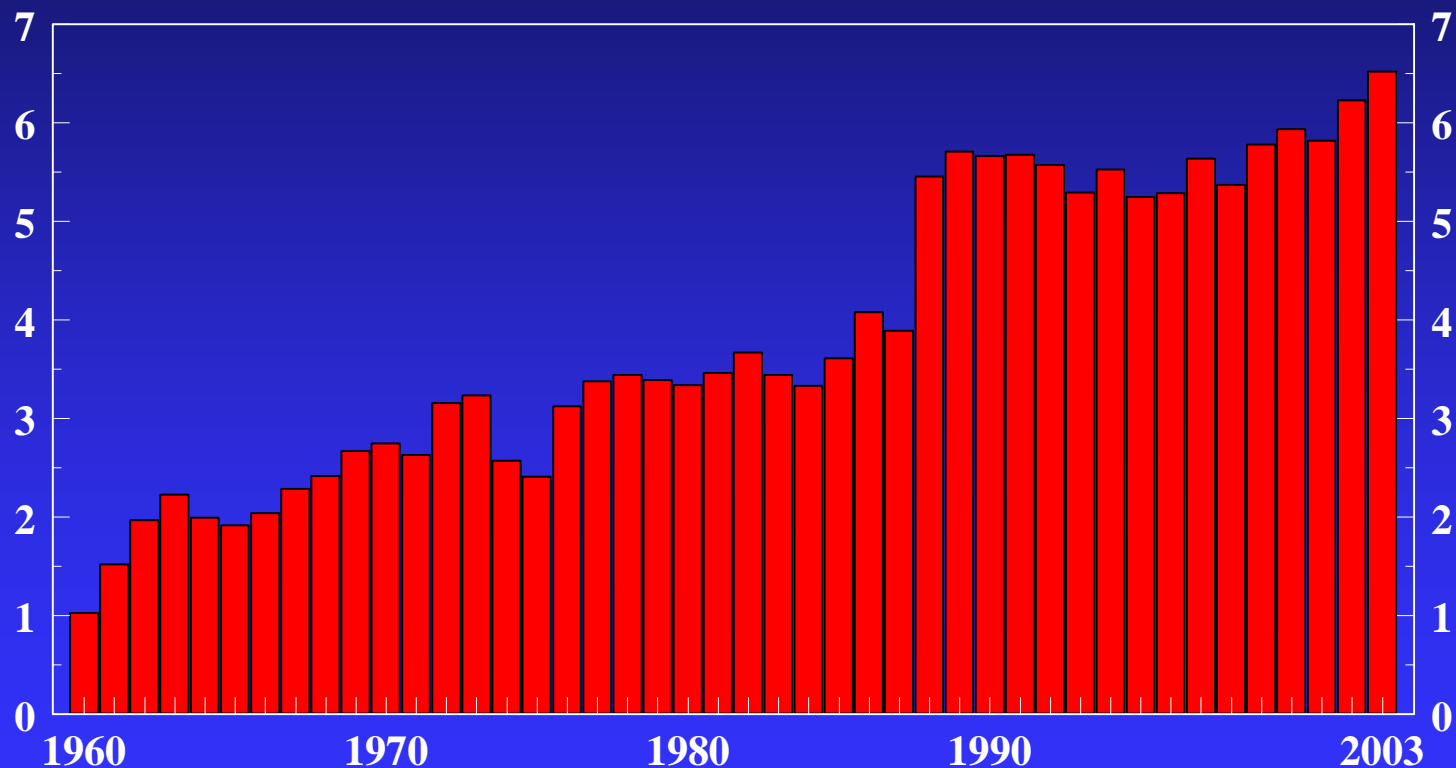
Overview of International Trade

The U.S. as Importer and Exporter

The U.S. Supply/Balance Today

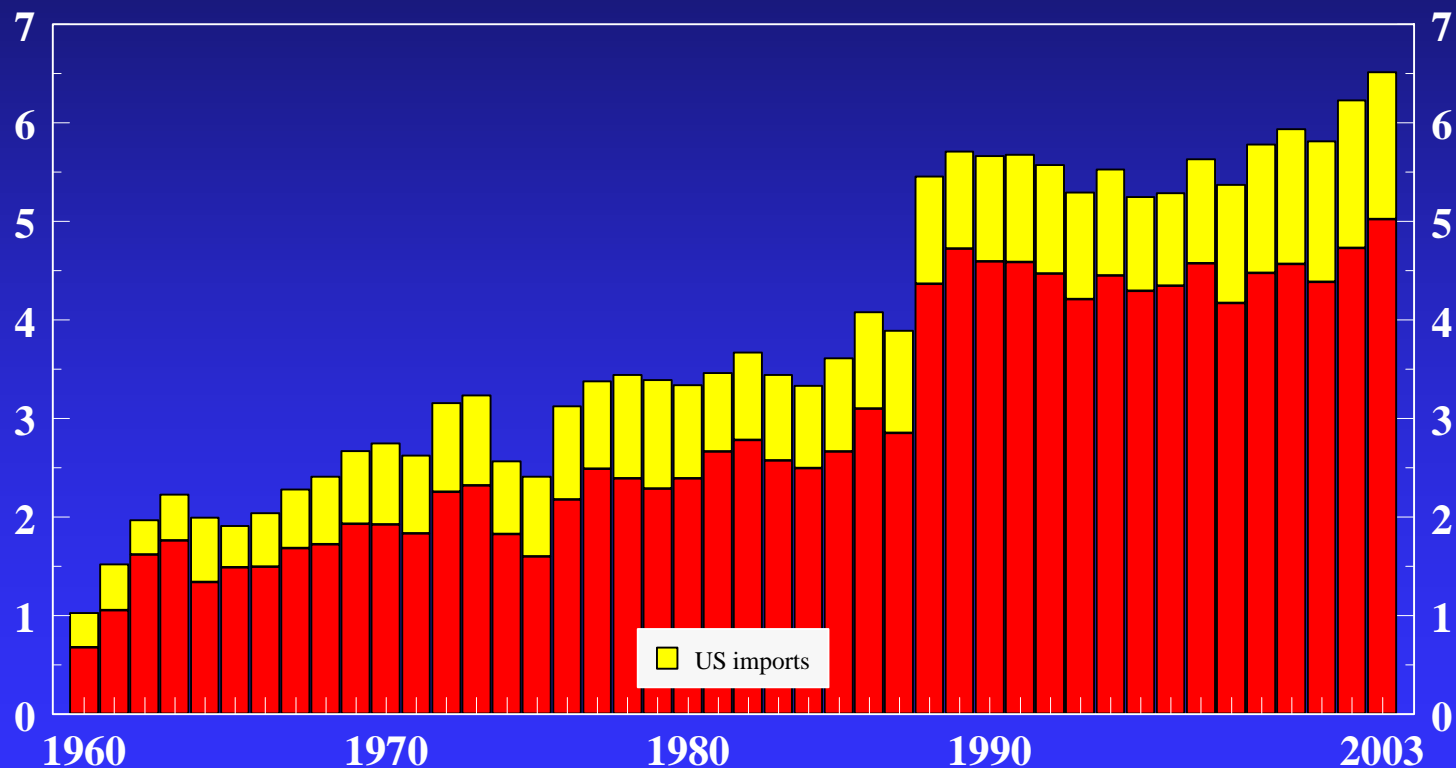
USDA Forecasts Global Beef Trade at Record Levels for 2002 and 2003...

Million tons (CWE)



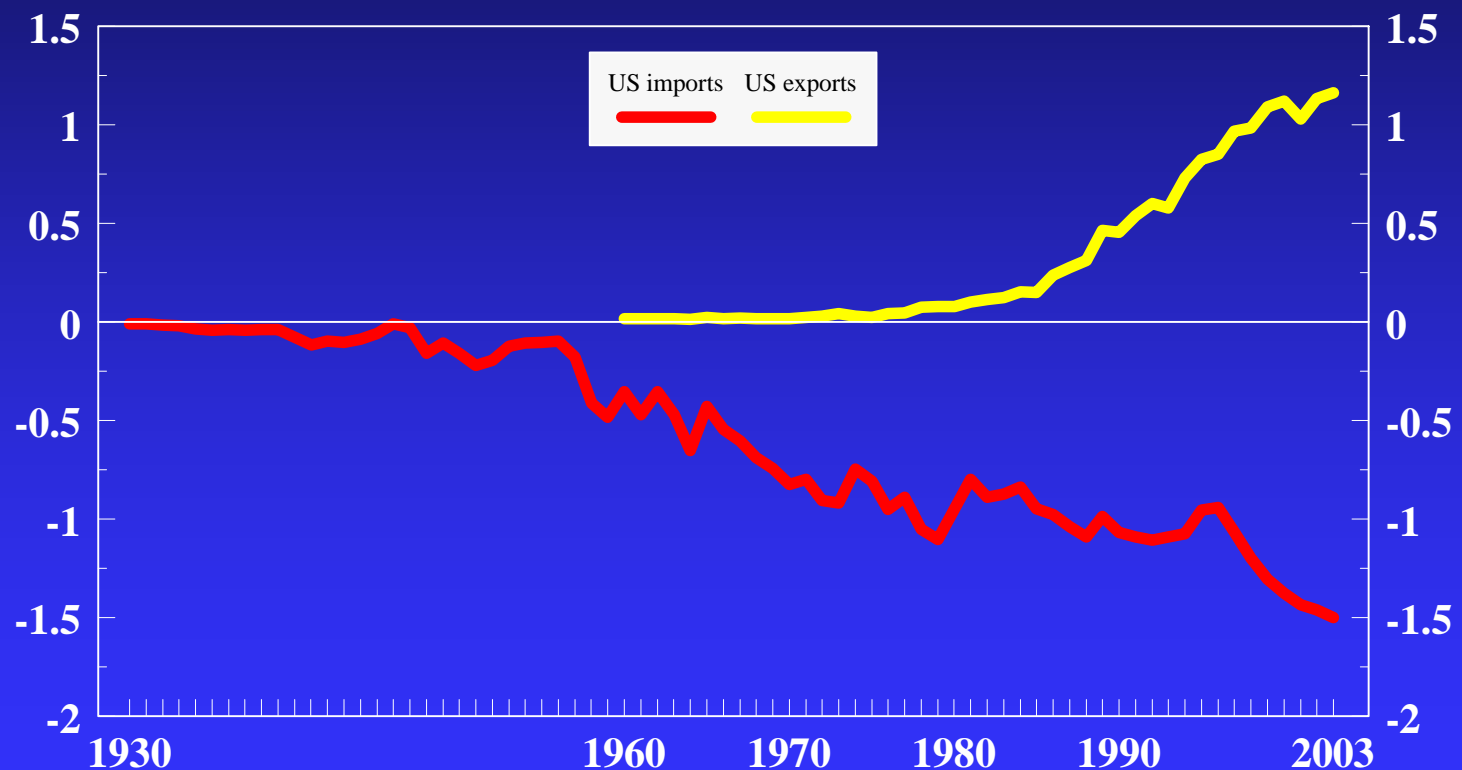
...U.S. Beef Imports are a Long-term Driver of Global Beef Import Demand (23% of 2003 total trade, 19% in 1990)

Million tons (CWE)

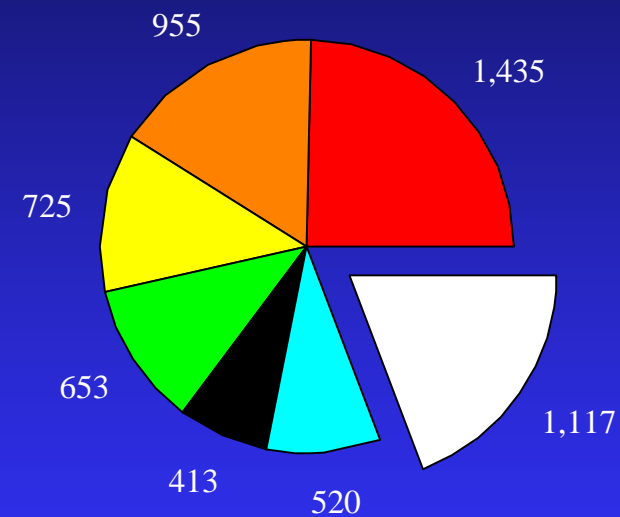
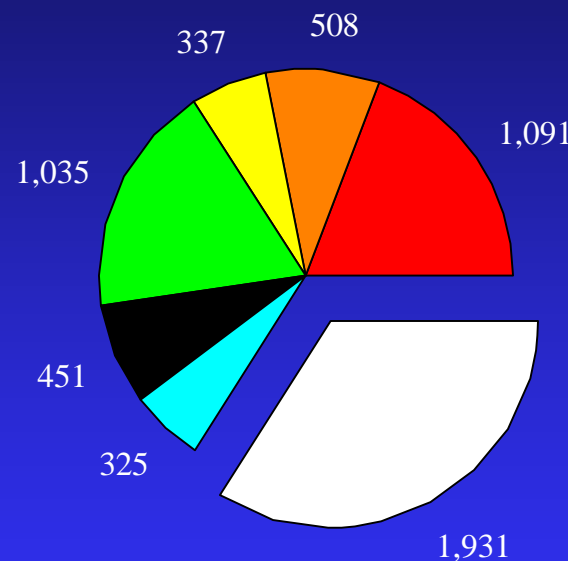


The U.S. has a Long History as a Beef Importer... is a More Recent Entrant into Beef Export Marketing

Million tons (CWE)

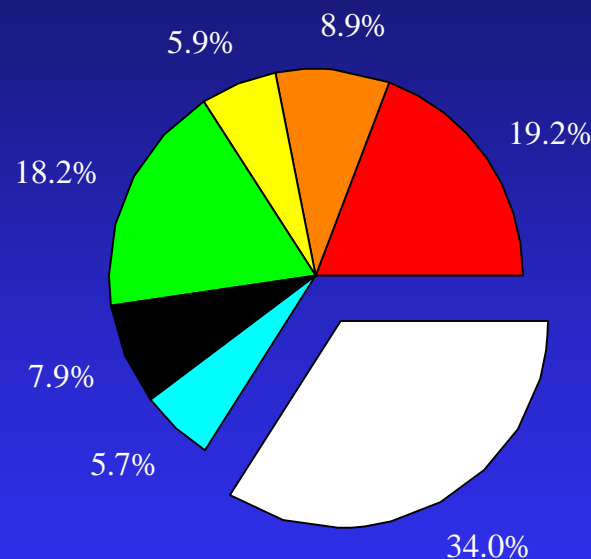


Beef Import Markets: Slow Growth, More Concentrated Than a Decade Ago, Shrinking Outside 10 Core Markets

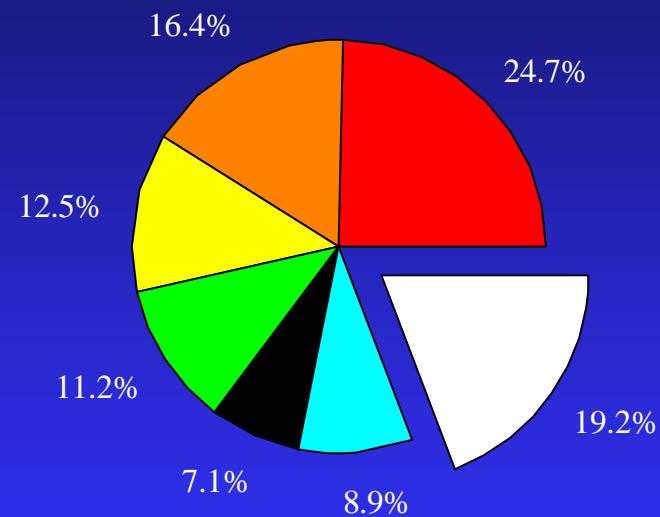


■ US ■ Japan ■ Mexico/Canada ■ Russia ■ EU ■ KS/CH/HK/RP/TW ■ Others

Beef Import Markets: US up 1/3, Japan Doubles, Mexico/Canada > Double, Russia Shrinks, Other Asia +2/3



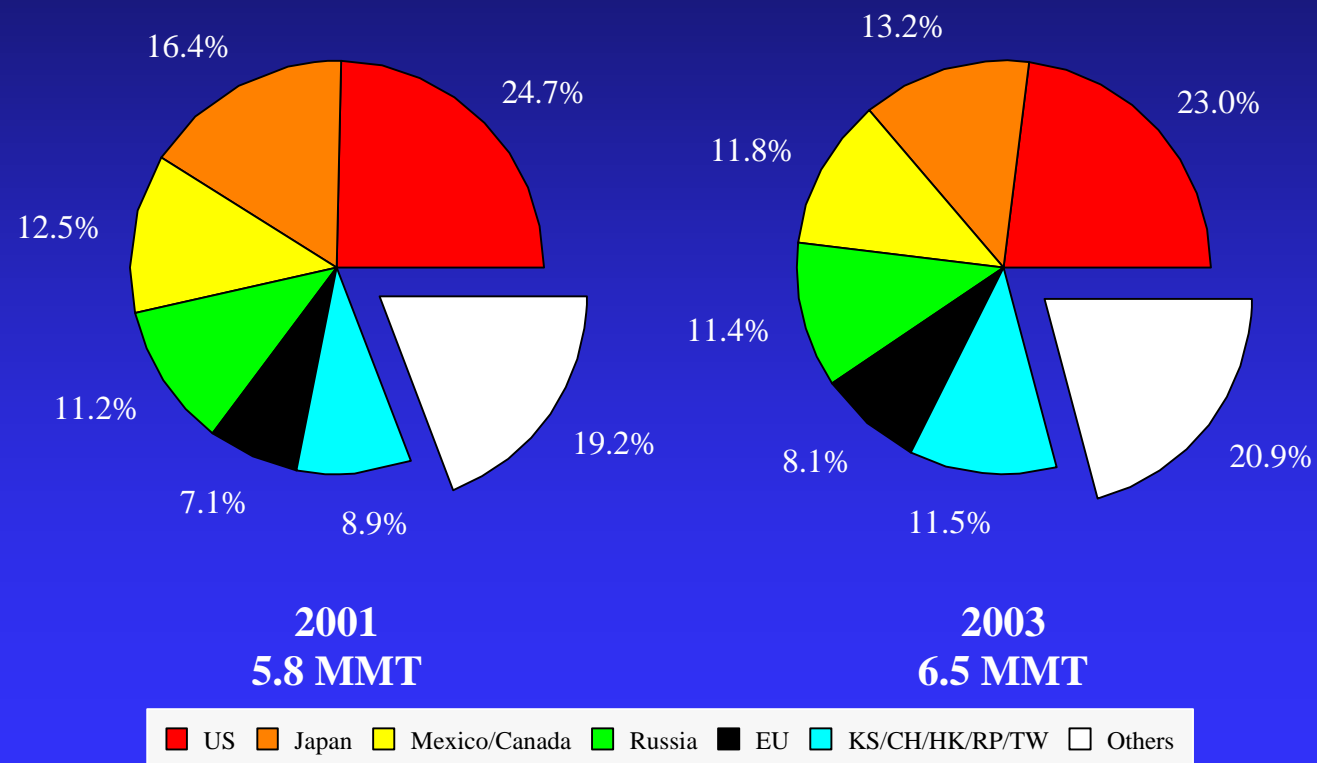
1991
5.7 MMT



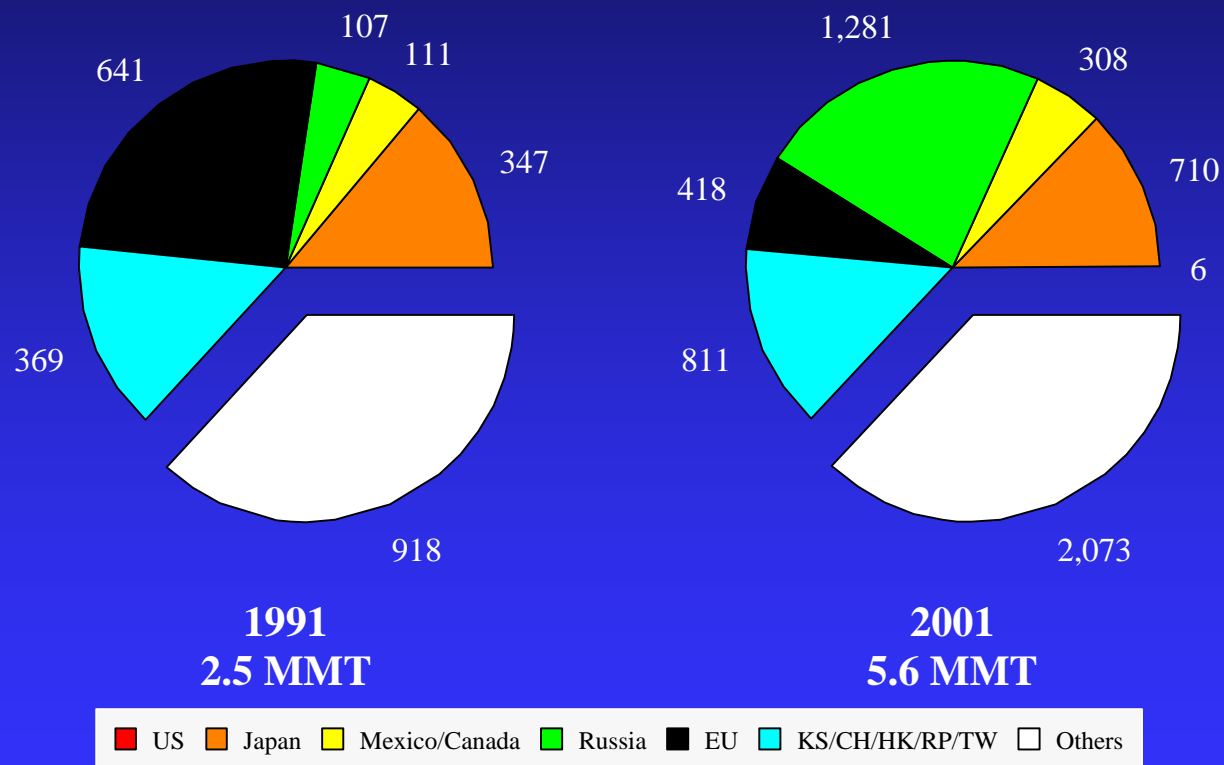
2001
5.8 MMT

■ US ■ Japan ■ Mexico/Canada ■ Russia ■ EU ■ KS/CH/HK/RP/TW ■ Others

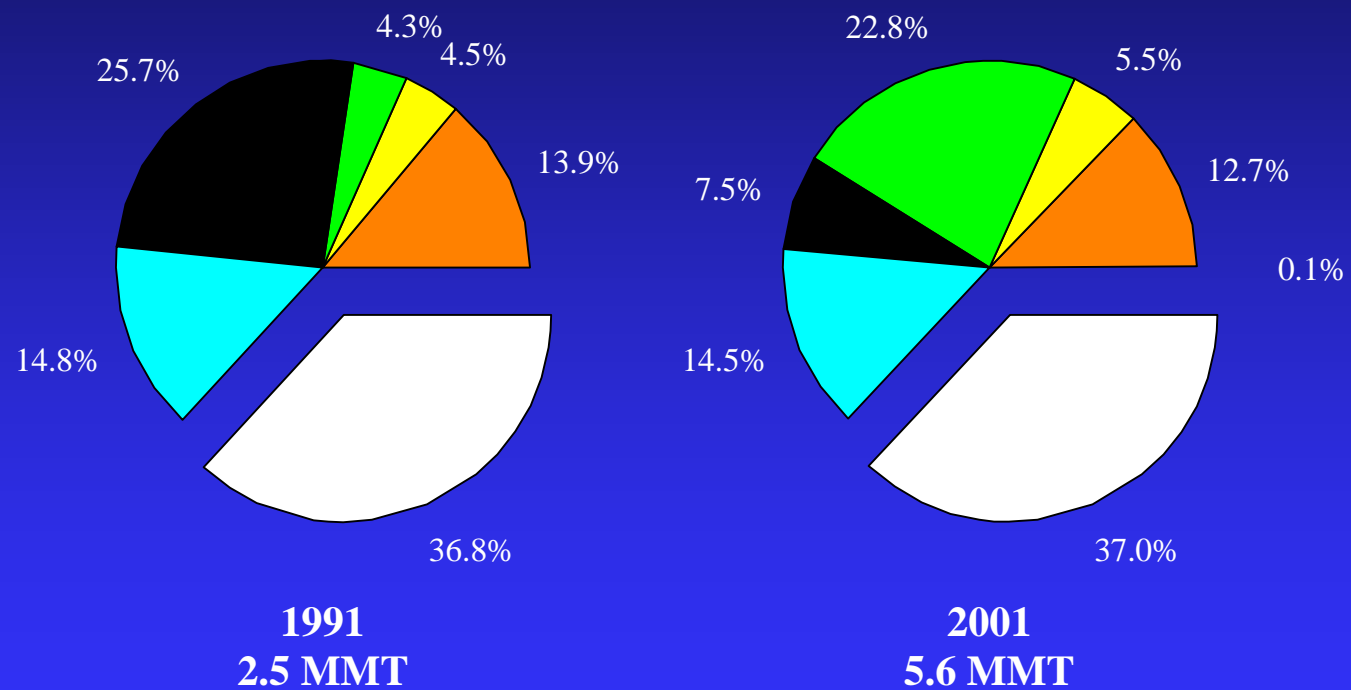
...Growth Forecast for 2003, but the Market Concentration Trend of the Past Decade Holds



Contrast Global Beef Imports With Broilers...More Than Doubled (125%), Equal Growth Outside 10 Country Core

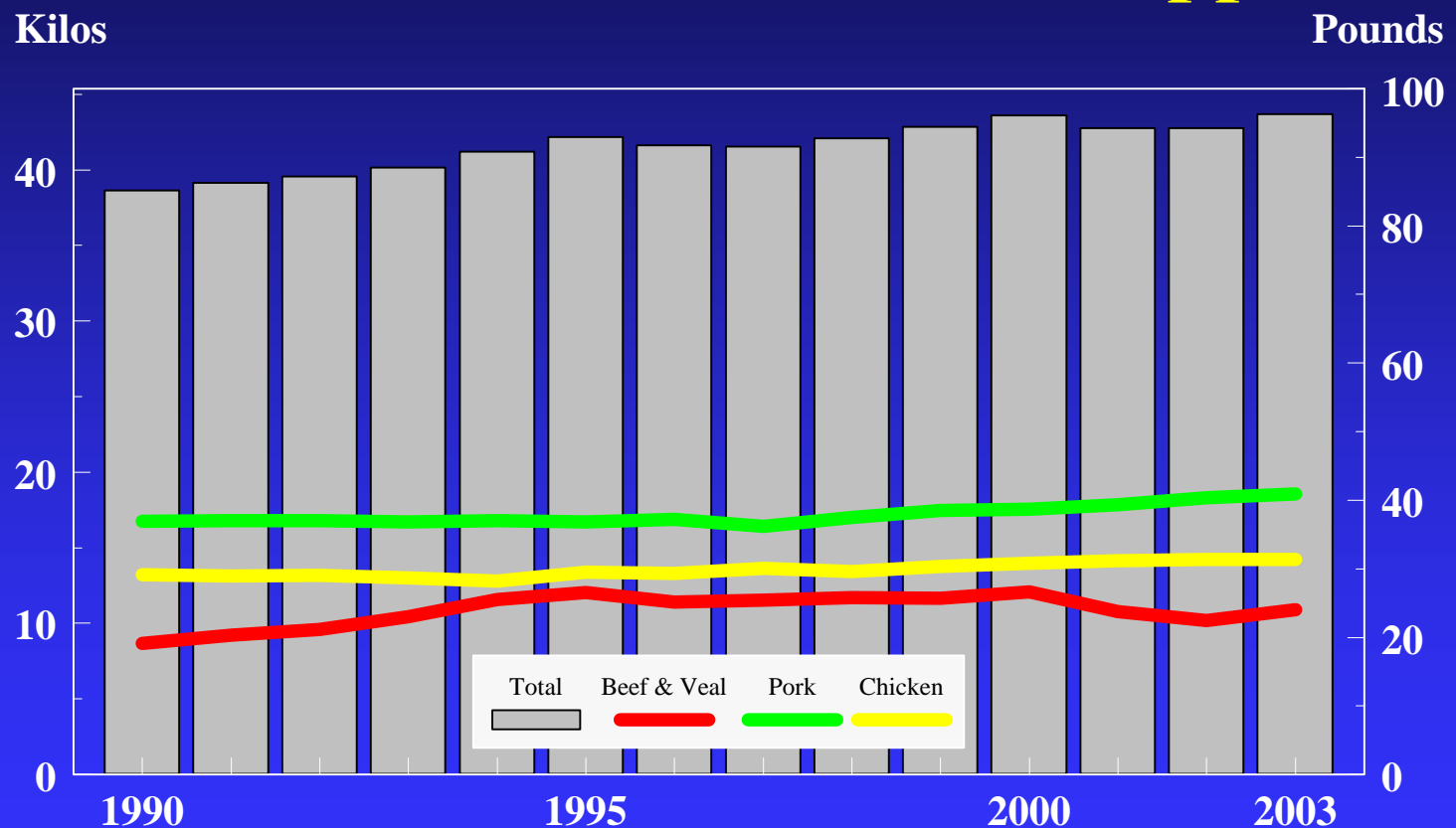


Contrast Beef Imports With Broiler Growth: Japan x 2, Mexico/Canada x 3, Russia x 12, Other Asia x 2

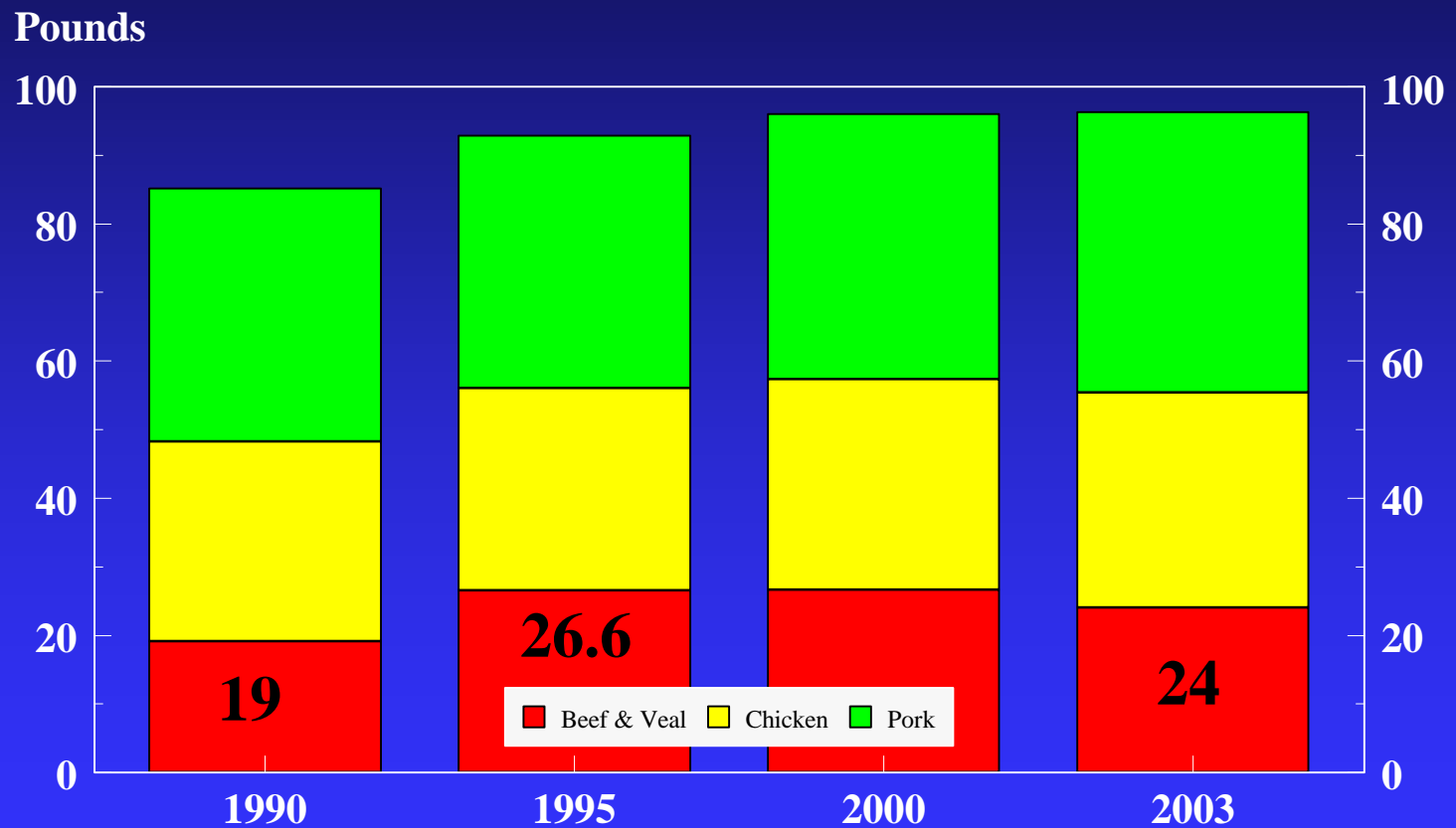


■ US ■ Japan ■ Mexico/Canada ■ Russia ■ EU ■ KS/CH/HK/RP/TW ■ Others

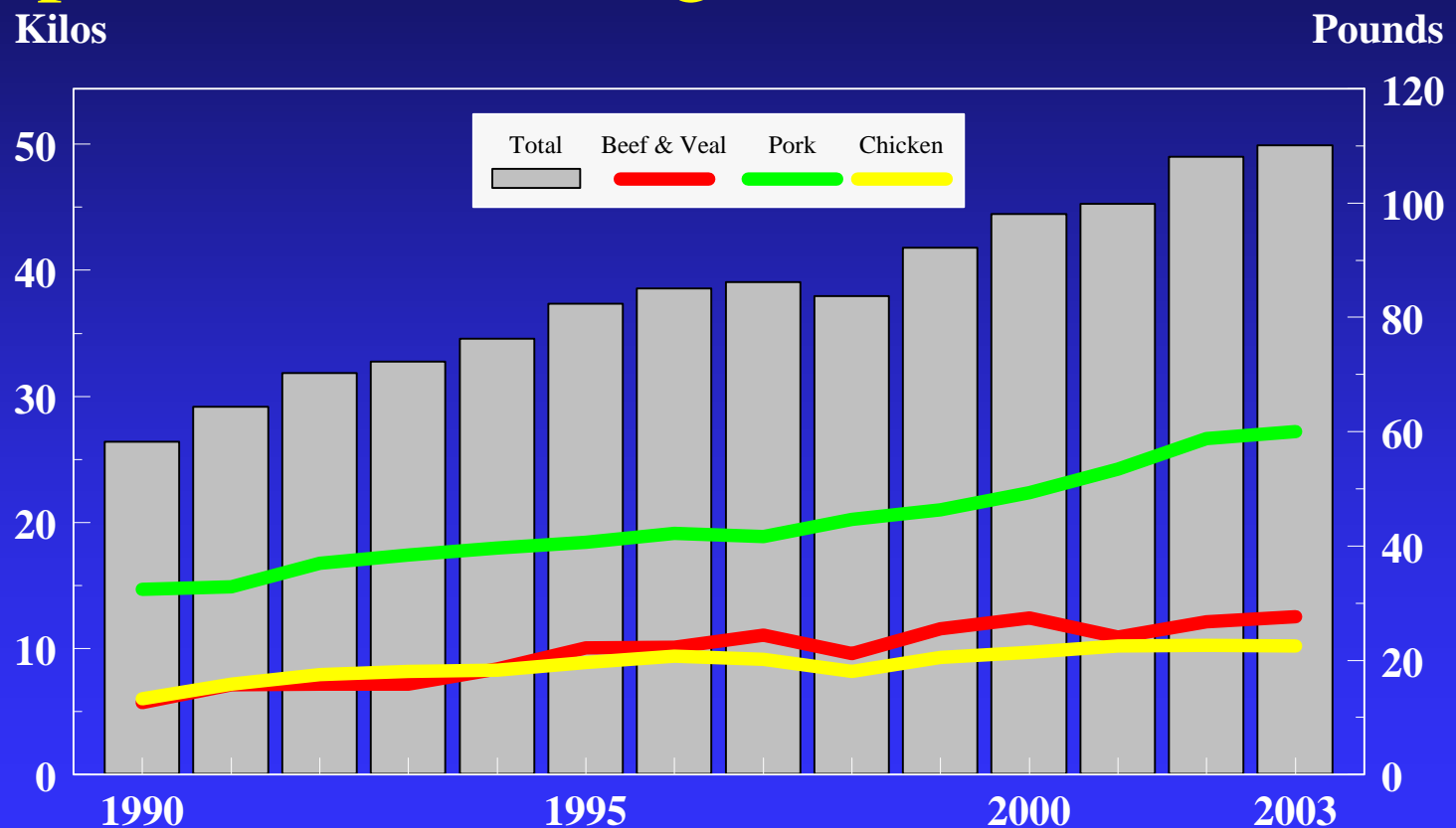
Japan's Flat Per Capita Meat Use Trend Leads to a Dual Market Share Fight, Between Meats and Between Suppliers



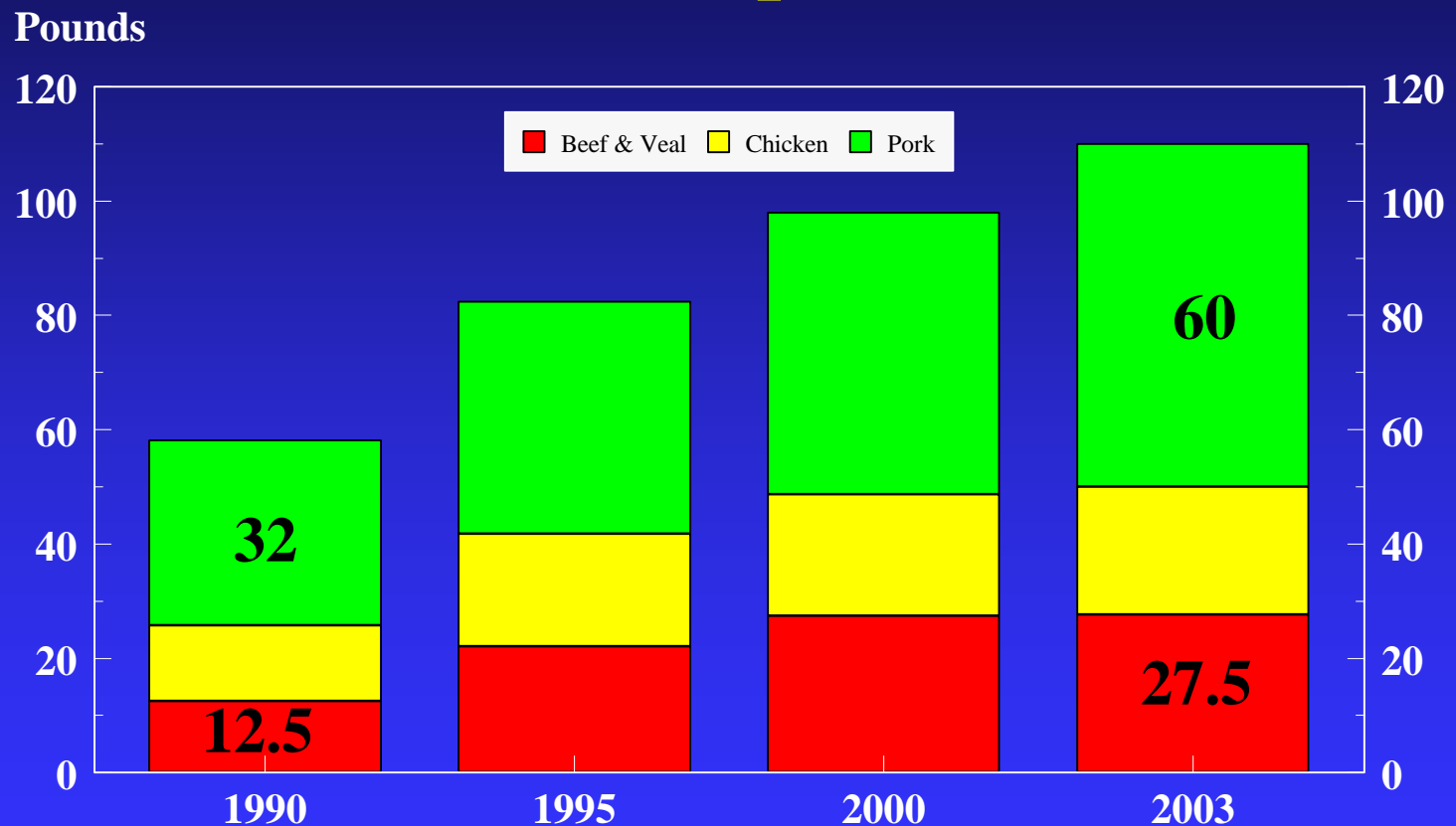
Japan's Post-BSE Beef Use Struggles Back Toward (?) 1995 Levels



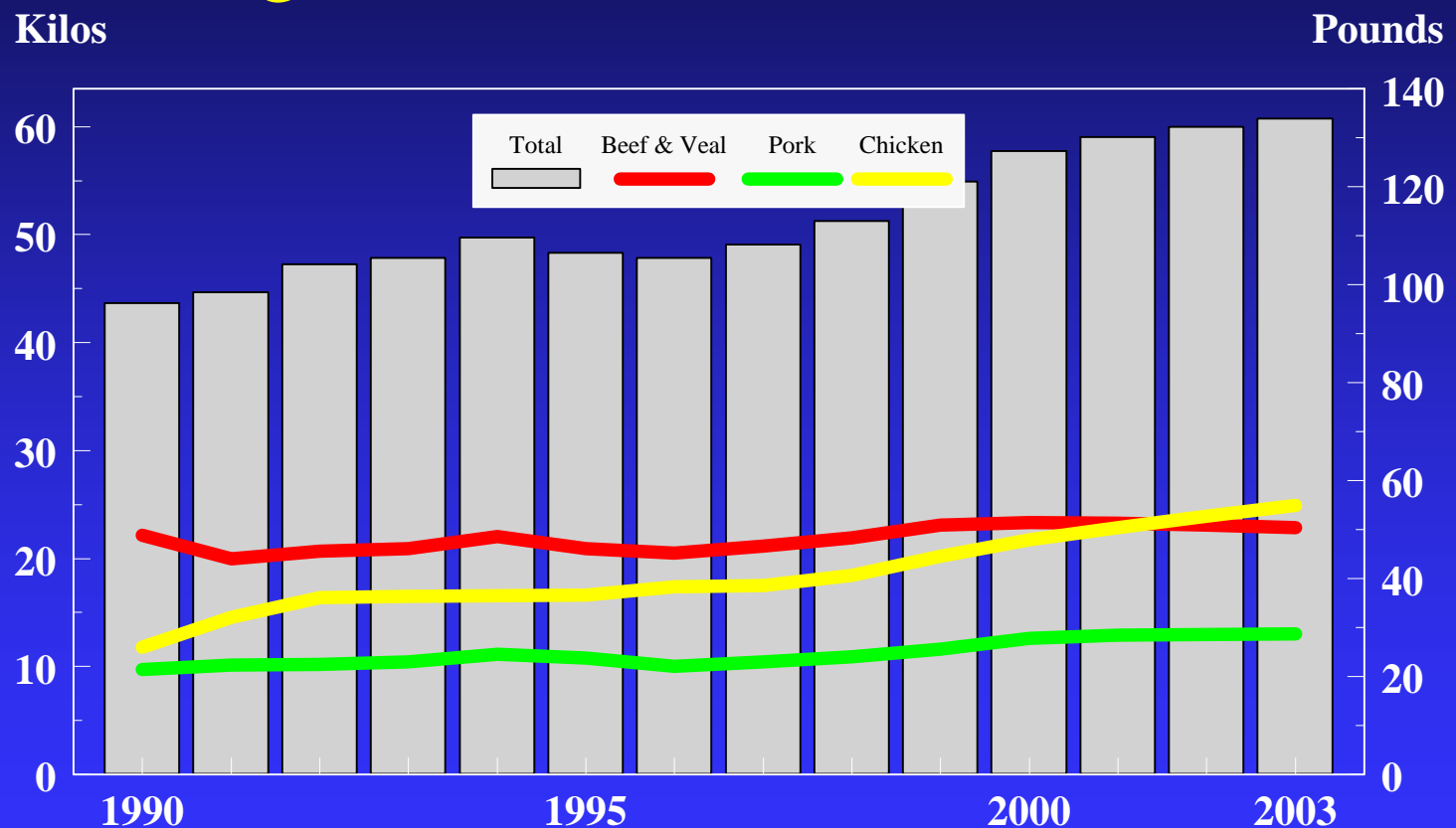
Korea's Per Capita Meat Consumption Still Growing...Led by Pork...Beef Imports Set a Strong 2002 Record



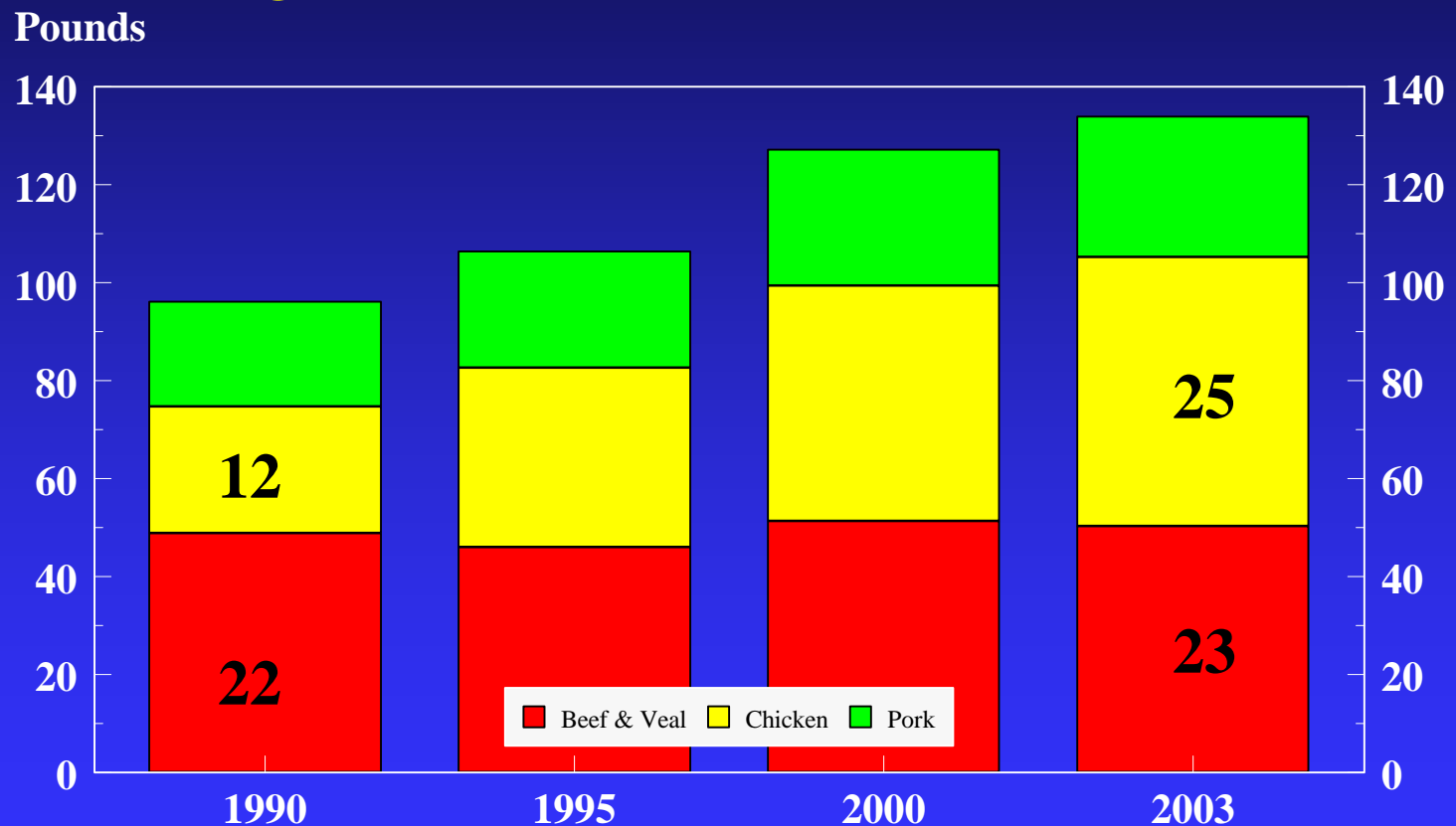
Korea's Per Capita Use Still Growing, Lost Pork Exports Push Domestic Use, Record 2002 Beef Imports



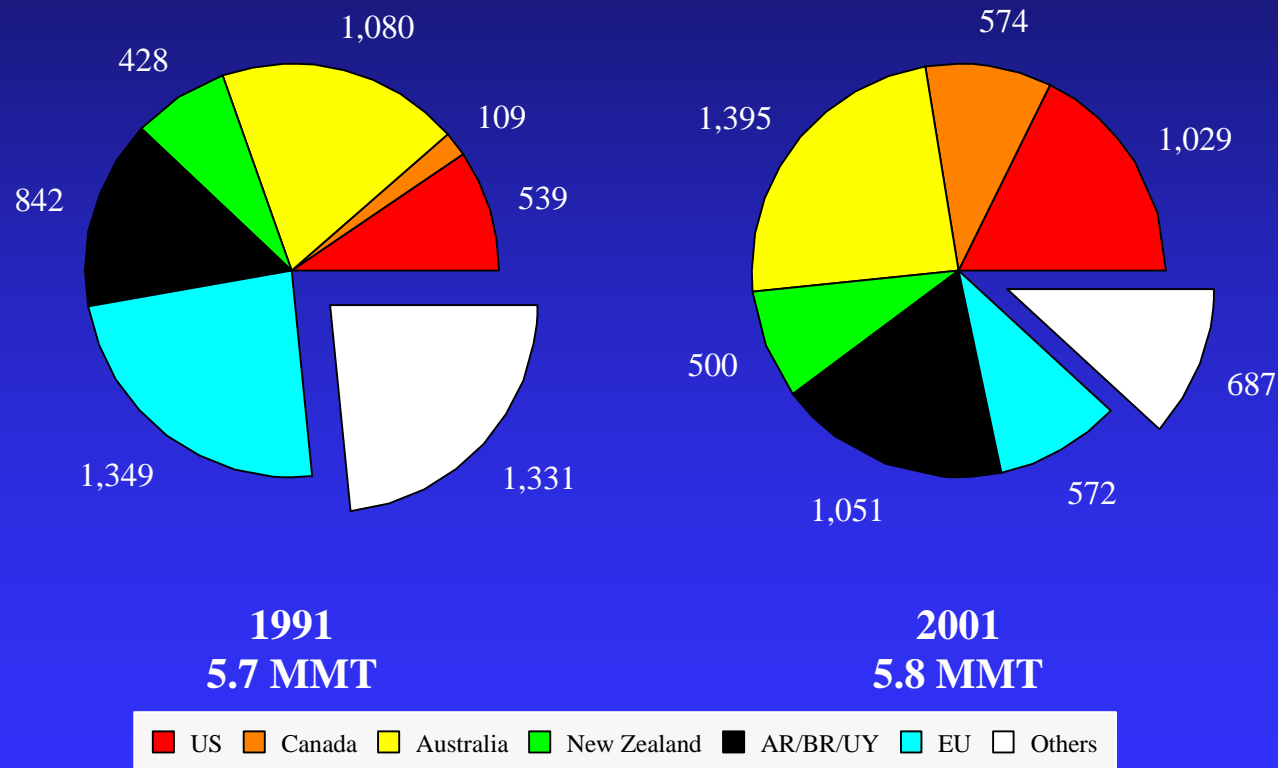
Mexico's Per Capita Meat Consumption Growth Steady, Led by Chicken... Beef Stagnates



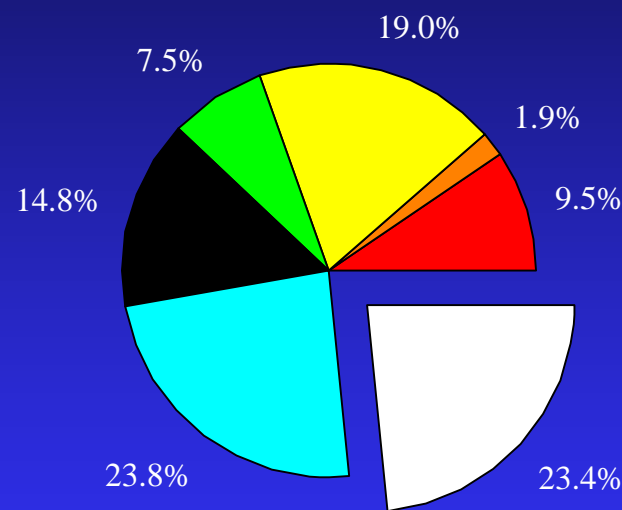
Mexico's Per Capita Meat Consumption Still Growing, Led by Chicken... Beef Stagnates



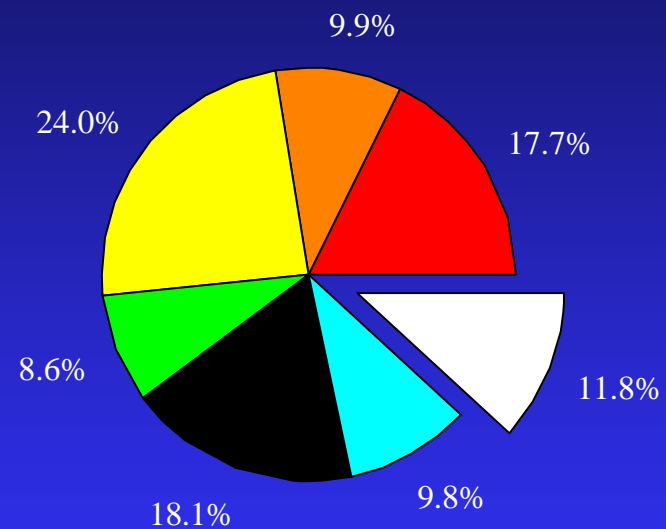
Eight Noteworthy Exporters, Key Players Have Offset EU Reductions and More...



Eight Noteworthy Exporters, U.S. x 2,
Canada x 5, Australia + 30%, New
Zealand + 17%, S America + 25%



1991
5.7 MMT

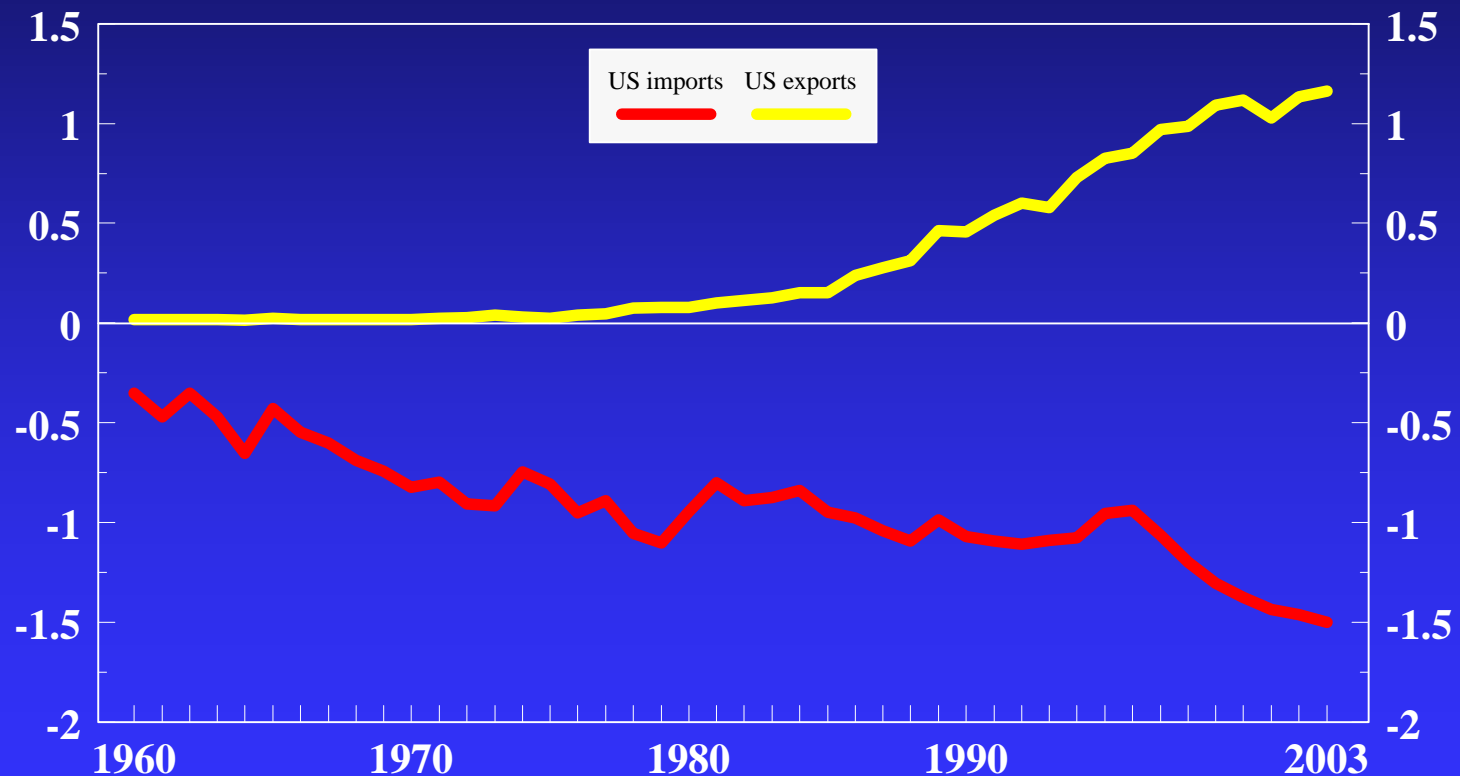


2001
5.8 MMT

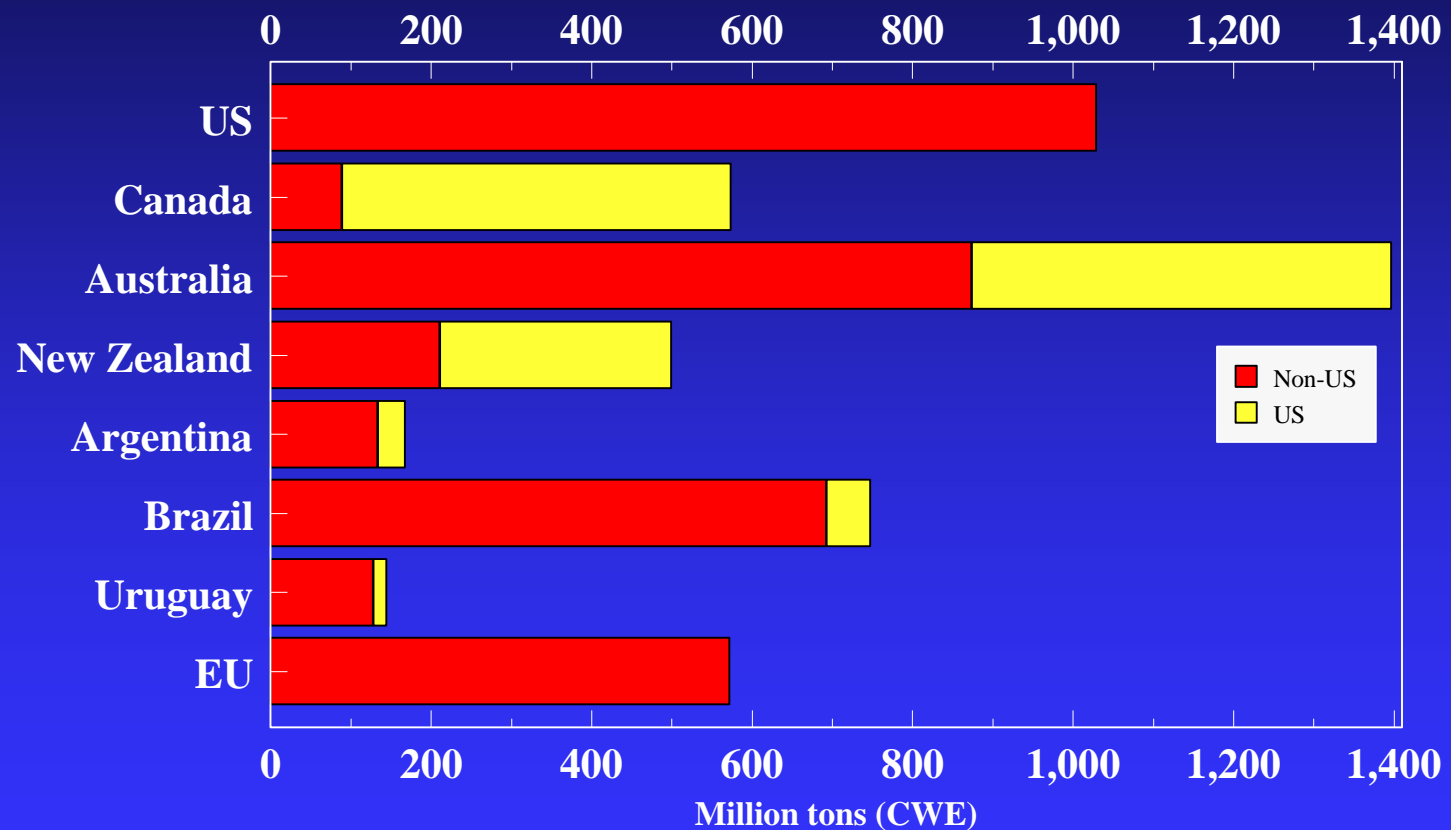
■ US ■ Canada ■ Australia ■ New Zealand ■ AR/BR/UY ■ EU ■ Others

A Destination of Choice for Several Competitors Growth is the Generally Expanding U.S. Beef Import Market...

Million tons (CWE)



...The U.S. Market is Key to Success of 3 Beef Exporters: South American Exporters Seeking Increased Access



What Do We Know About the Global Beef Trade Situation and the U.S. Role ?

■ Imports

- A decade of slow growth - for beef
- Increased concentration in only 10 key markets
- Increased trade competition from alternative meats (growth over the period: Beef 2%, Pork 71%, Broilers 125%)

■ Exports

- 8 key exporters fighting for market share
- US market is key to 3 major competitors, emerging exporters seeking greater US market access

■ Major US role in both exports and imports

- Reduced access to US market could cut US exports

The U.S. Cattle and Beef Sector

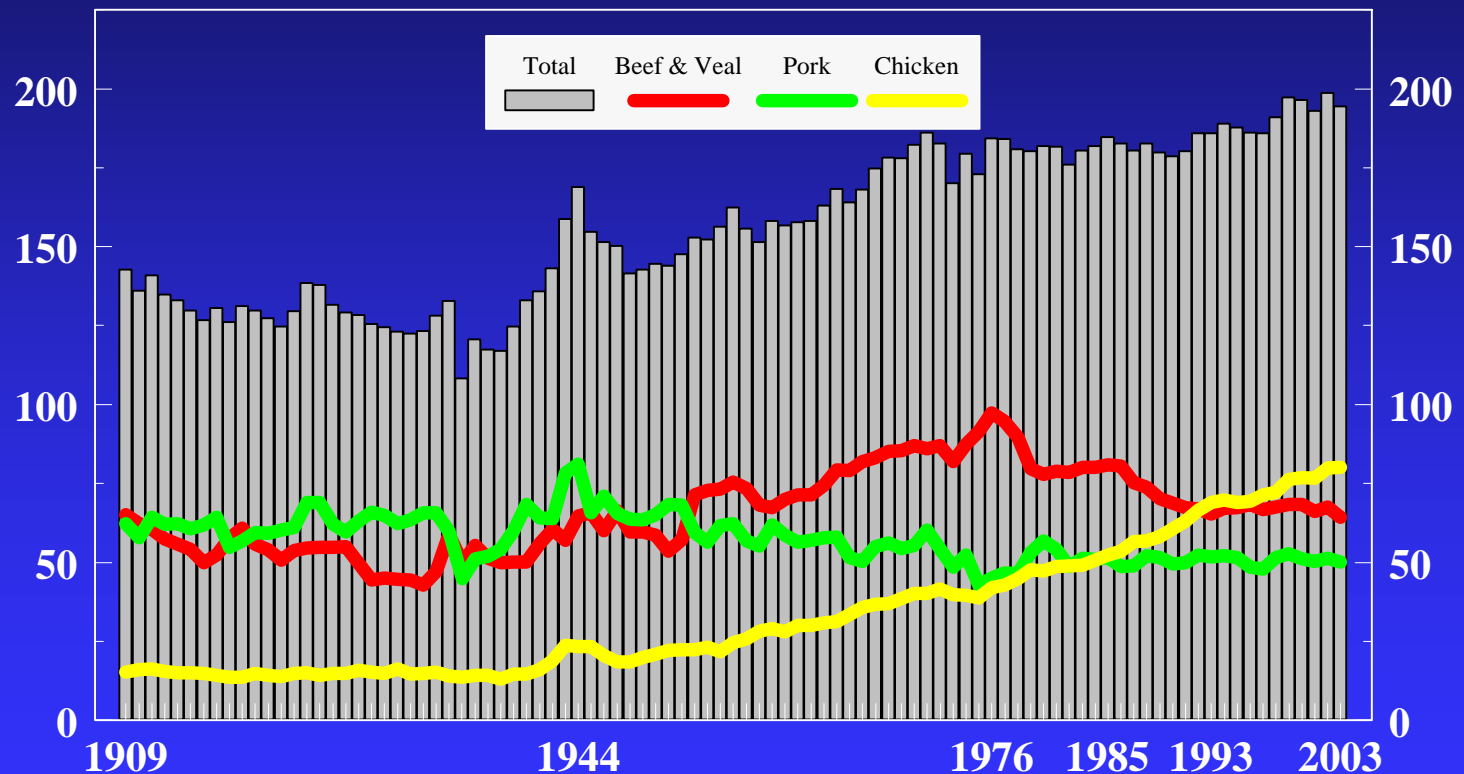
Meat Consumption Trends
The U.S. Supply/Balance Today

2001 Data to Frame Today's Discussion of Cattle and Beef...

- U.S. slaughtered 35.5 million cattle
 - ✓ 2.4 million of those were imported (6.8% of slaughter total), valued at \$1.5B
- U.S. slaughter produced 11.9 million tons of beef (cw)
- U.S. imported 1.1 million tons of beef (1.4 cw) valued at \$2.6B
- A total of 13.3 million tons (cw) of beef was available and used
 - ✓ 1 million tons went into exports valued at \$2.6 B
 - ✓ 12.3 million tons used for U.S. domestic consumption

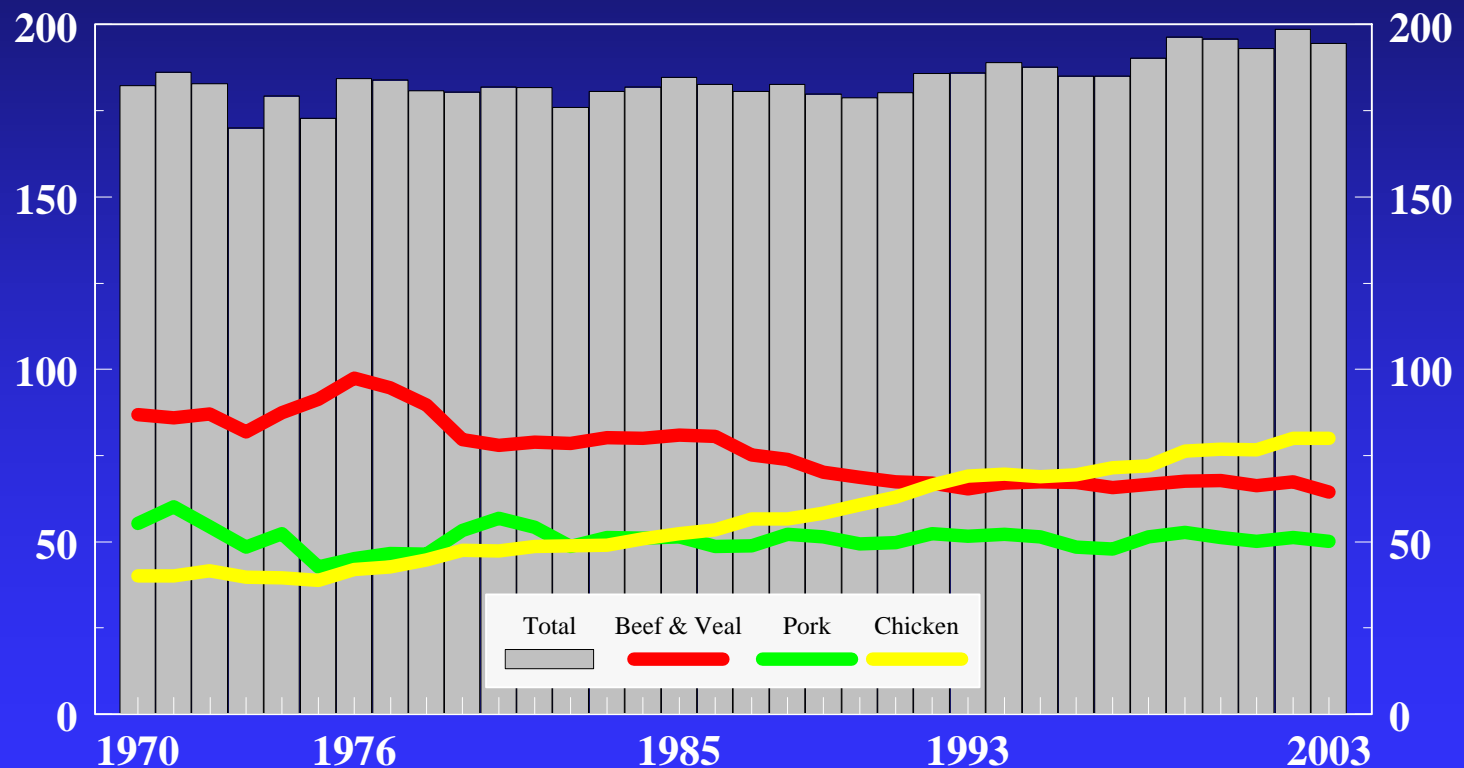
U.S. Per Capita Meat Use: Mid-Century Gains Slowed and Relationships Between Meats Shifted...

Pounds (Retail Basis)



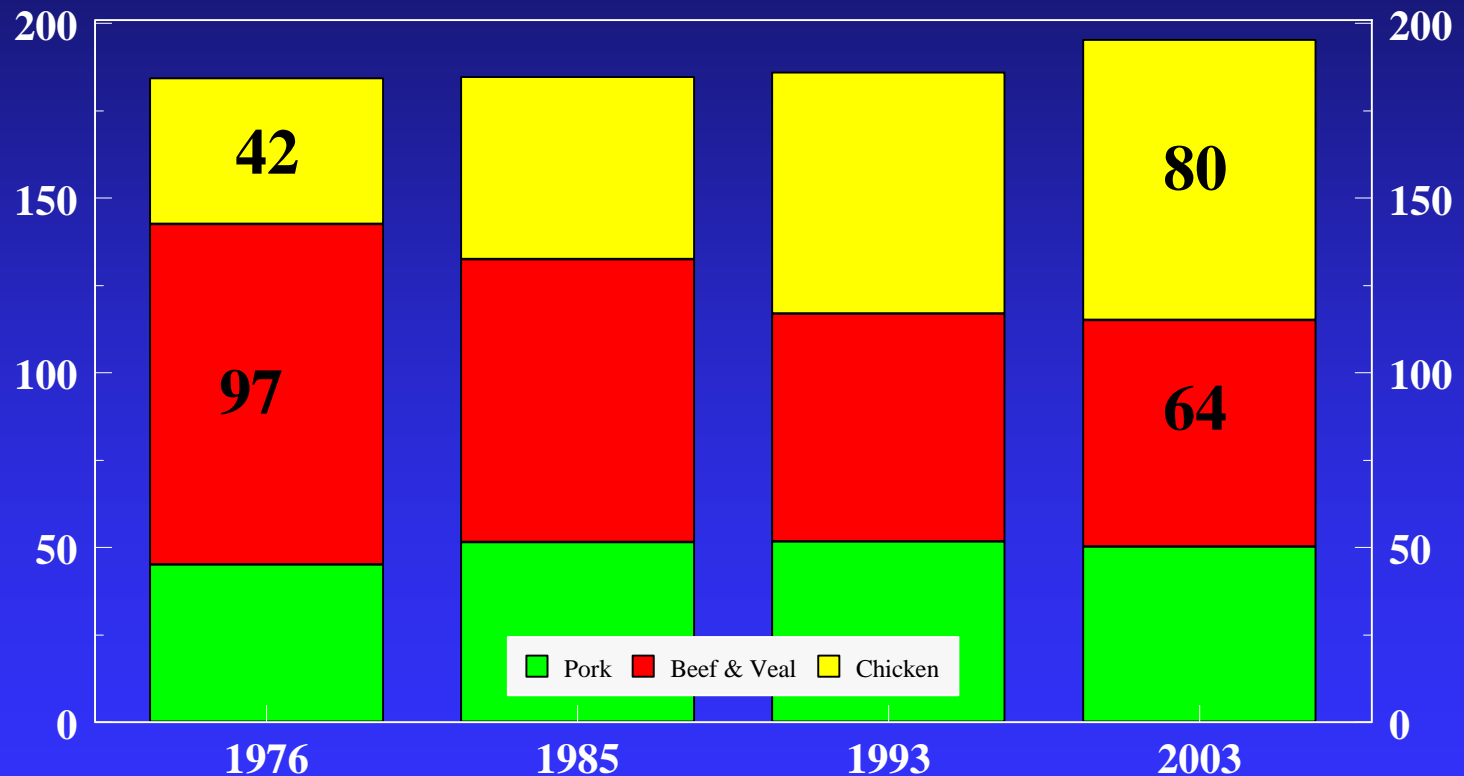
U.S. Per Capita Meat Use Never Higher: 1976 Peak for Beef, 1985 Poultry Passed Pork, 1993 Poultry Passed Beef

Pounds (Retail Basis)

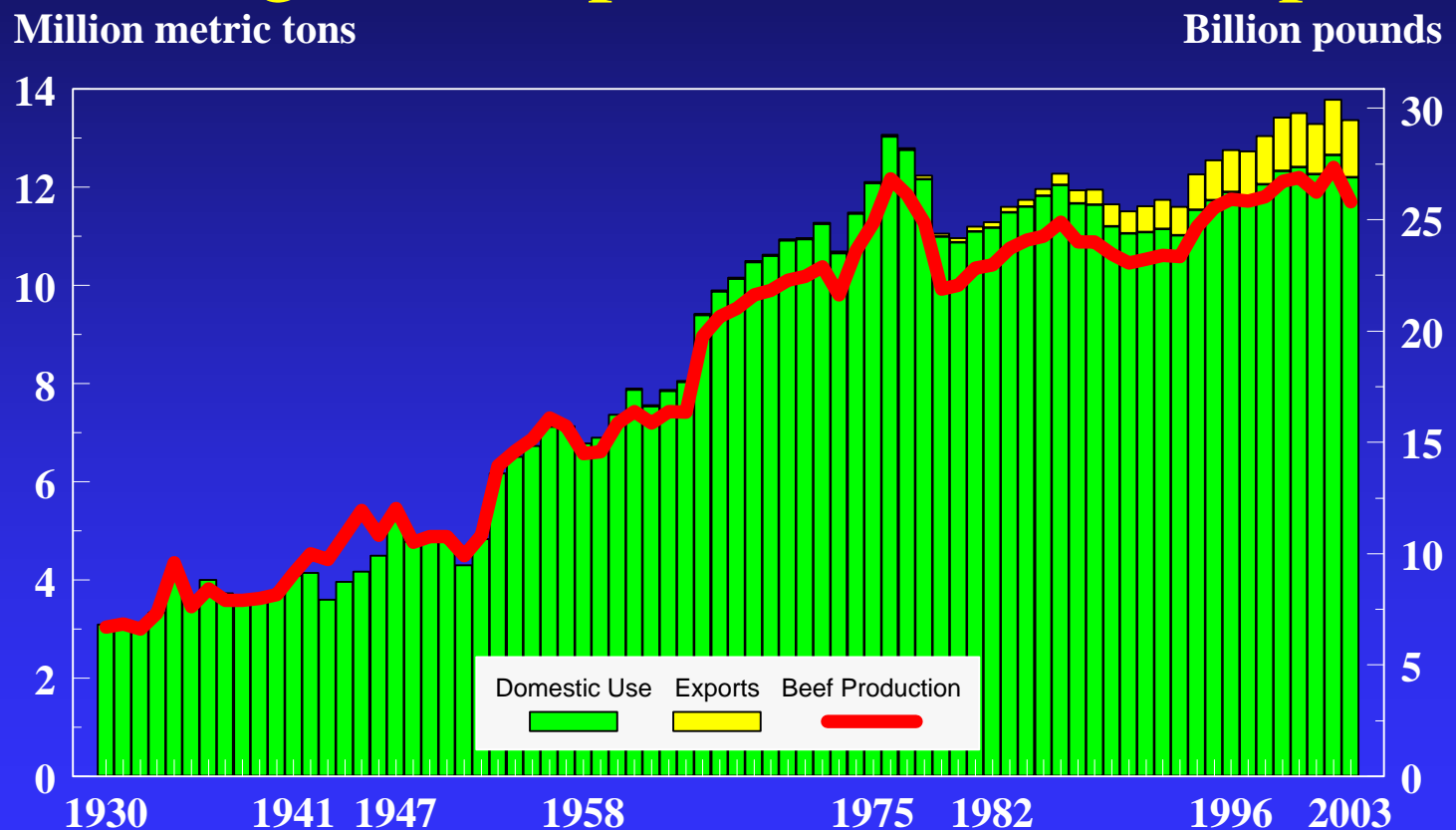


U.S. Per Capita Beef Consumption Over Time has Been the Loser, Primarily to Chicken

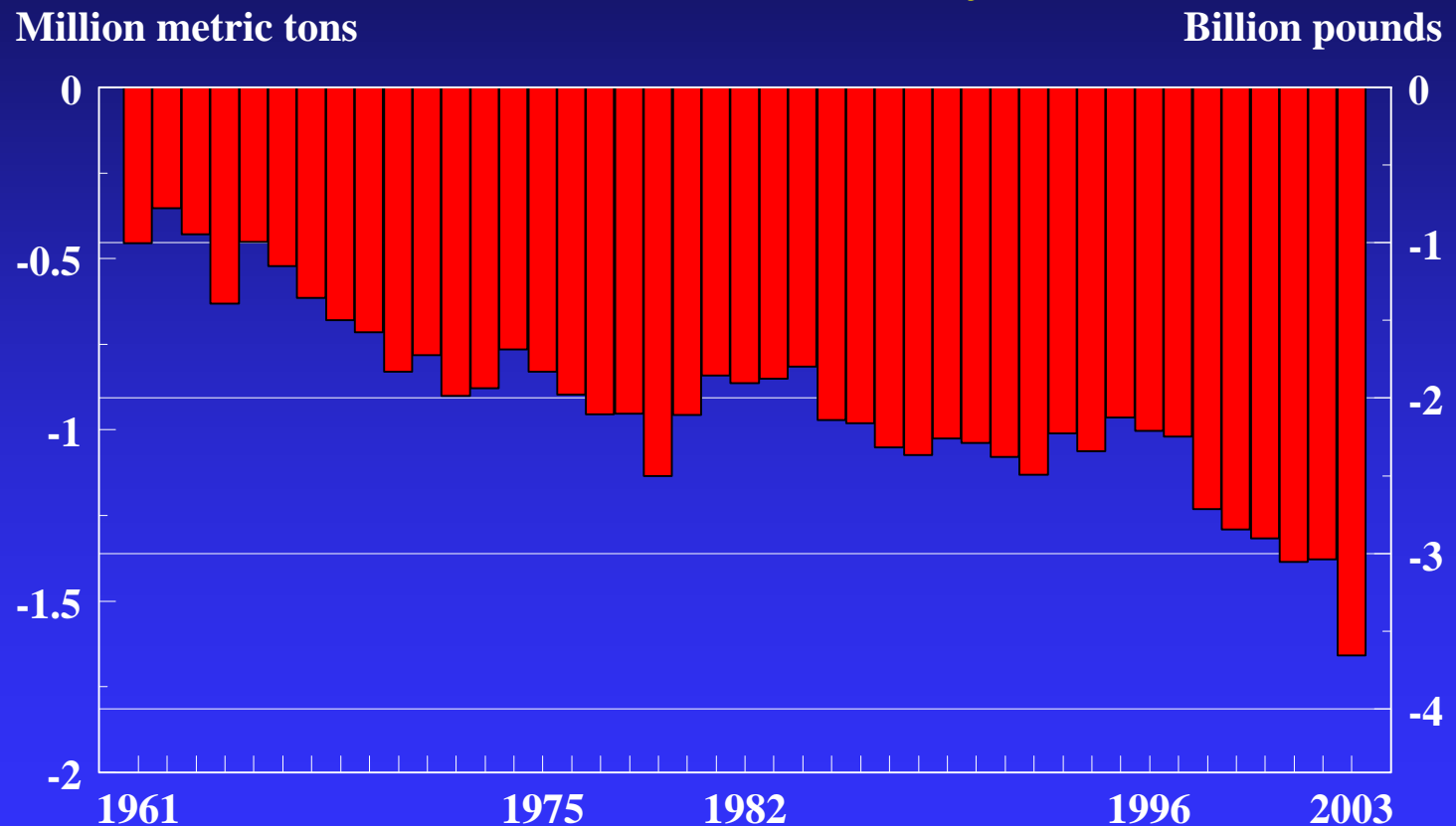
Pounds (Retail Basis)



U.S. Beef Production Has Not Met Domestic Use Since 1958, Even With Declining Per Capita Beef Consumption

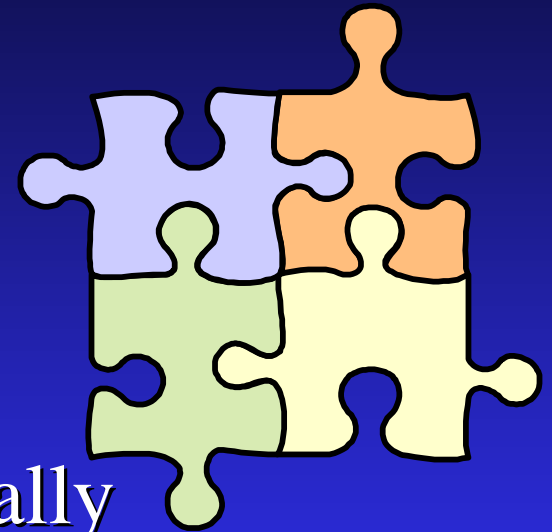


Annual U.S. Beef Deficit Hovered Near 2 Billion Pounds for 20 Years, Has Grown Since Last Cattle Cycle Peak



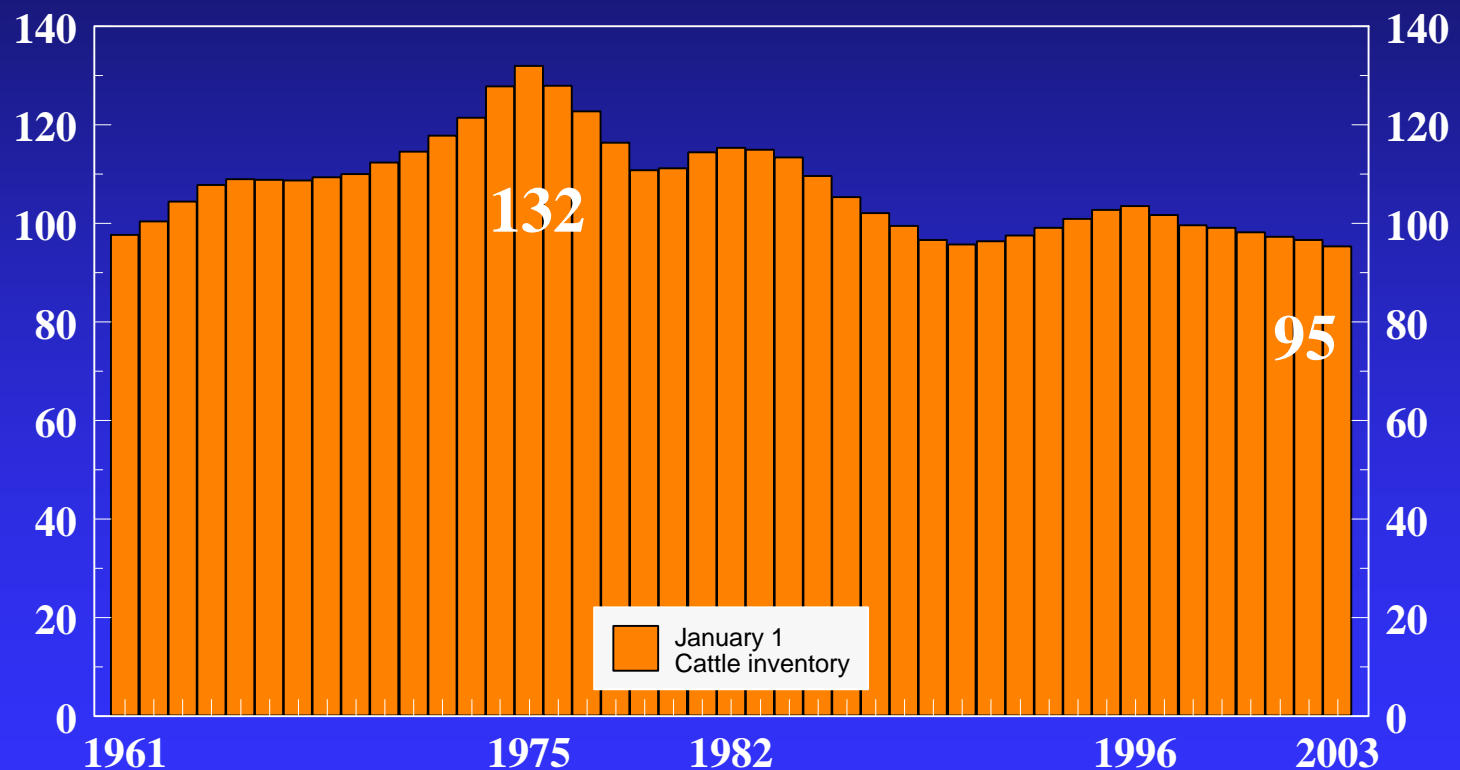
What Options Are Available to Balance the Long-term U.S. Beef Deficit?

- Cut beef consumption
- Stop beef exports
- **Import beef**
- Produce more beef domestically
 - ◆ Maintain a larger US cattle herd
 - ◆ **Import feeder or slaughter cattle**



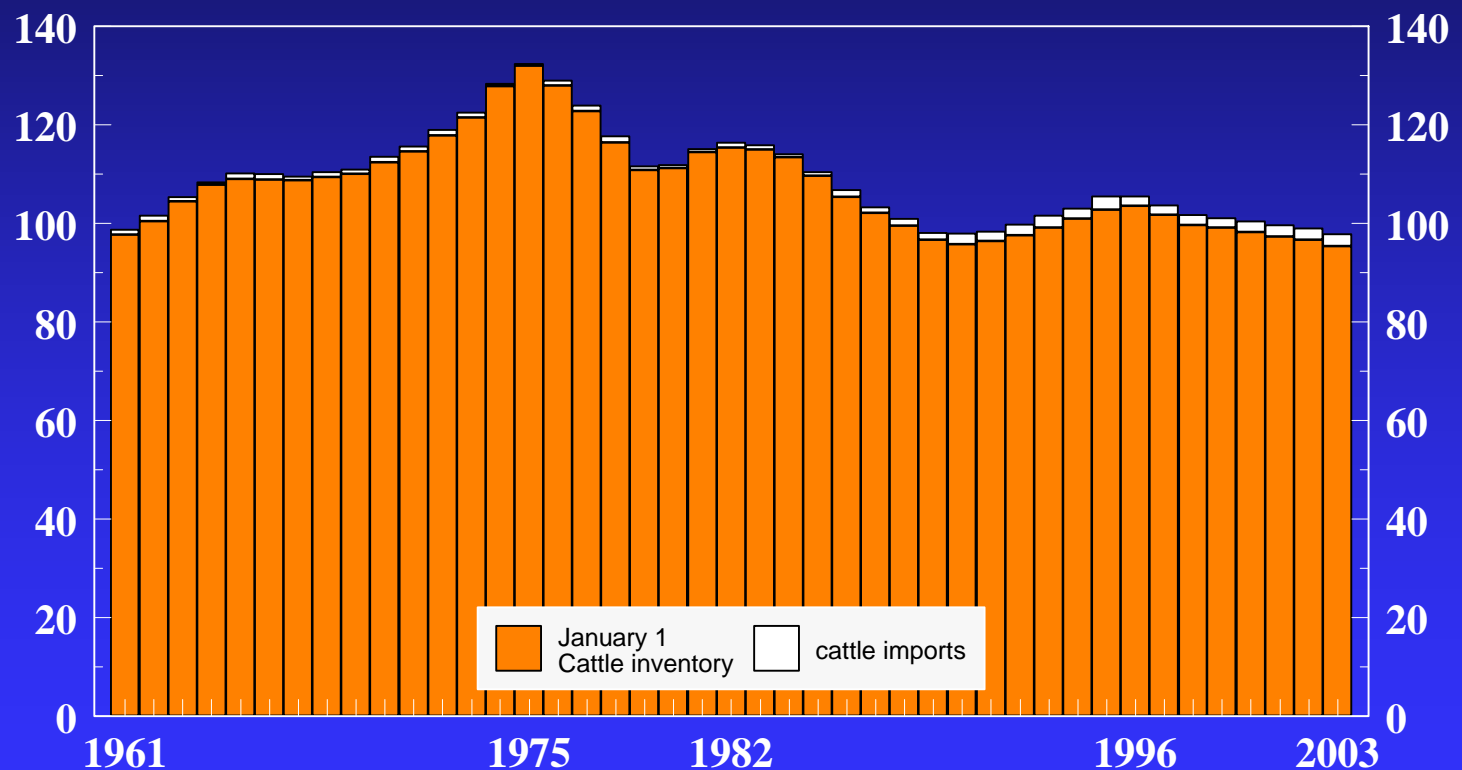
U.S. January 1 Cattle Inventory Numbers Have Been on an Extended, Downward, Cyclical Trend...

Million head

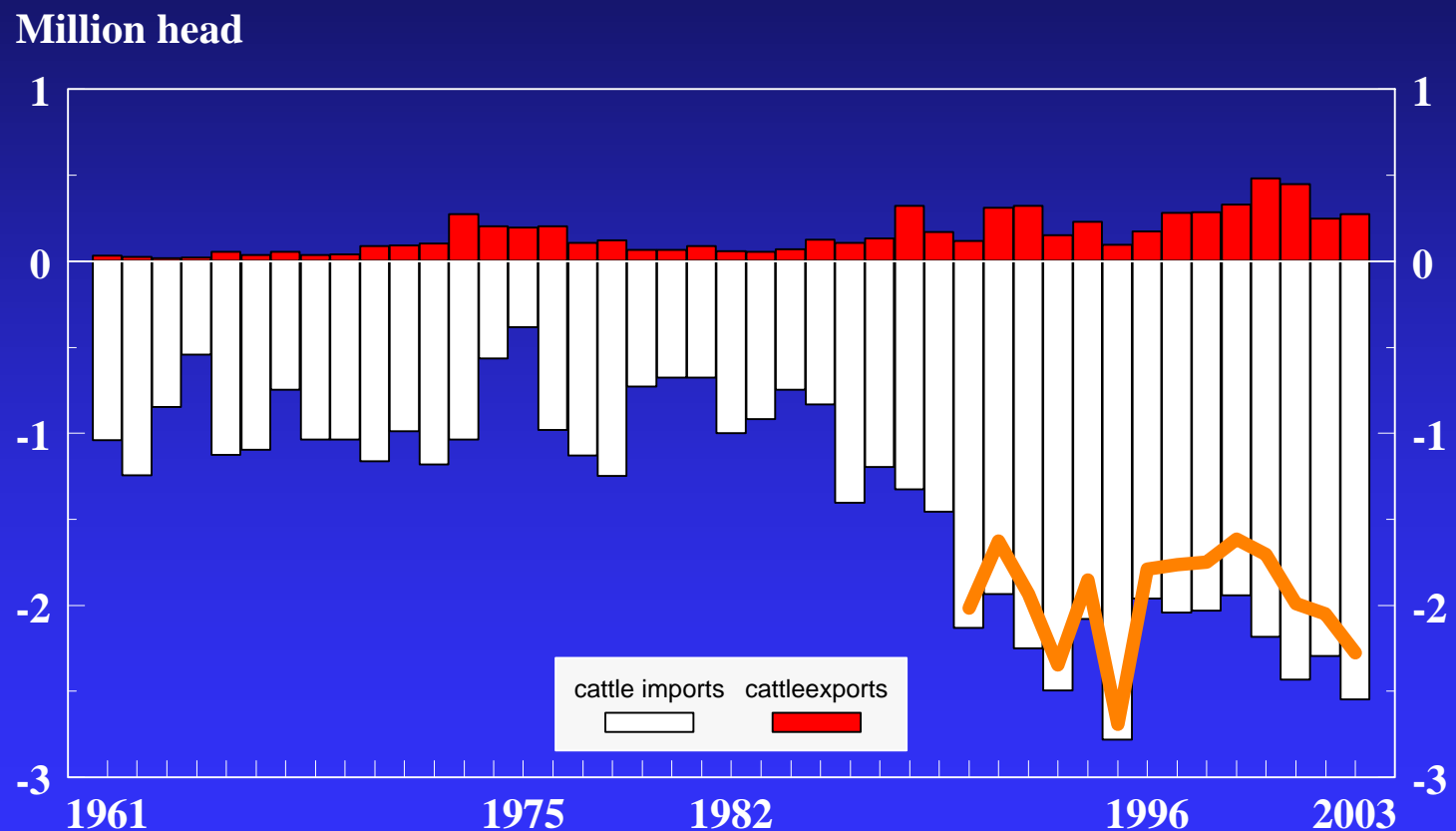


Cattle Imports Have Held a Position in the U.S. Situation Since the 1980's U.S. Cattle Inventory Decline...

Million head

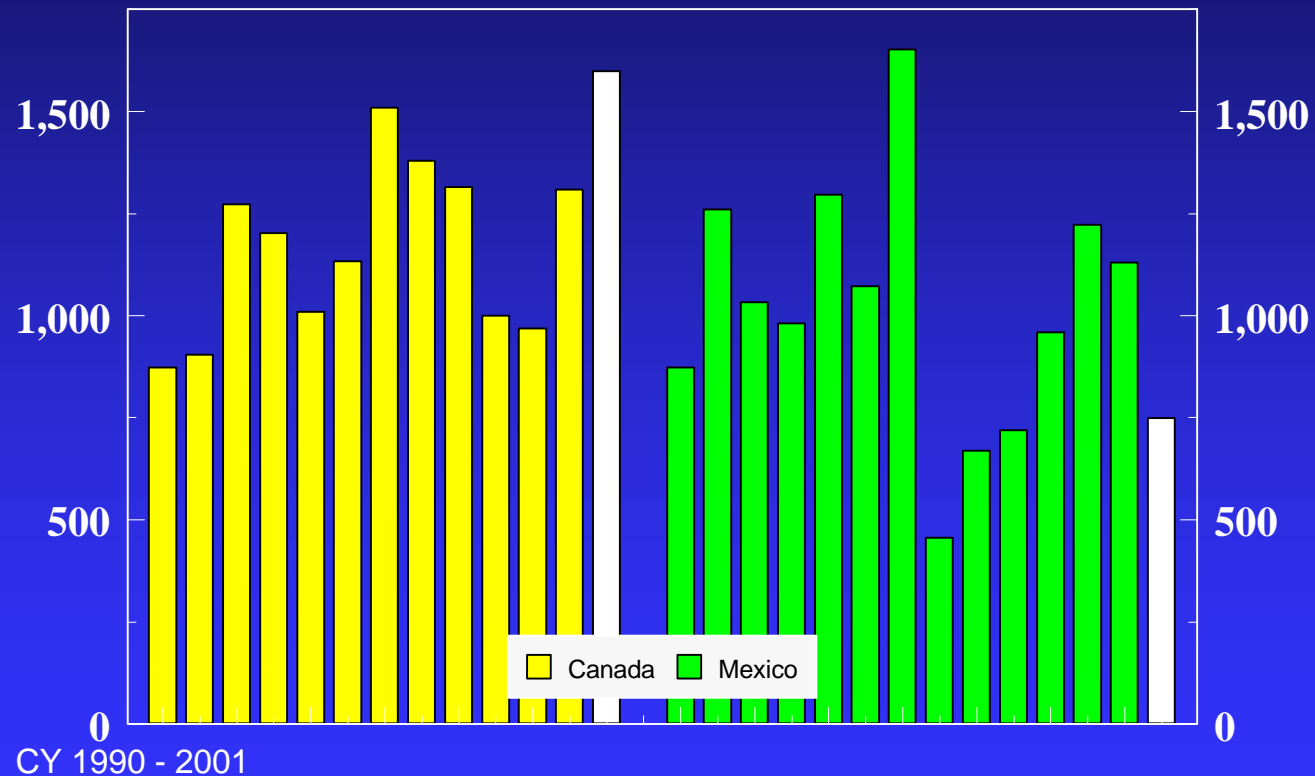


Cattle Import Numbers Have Fluctuated at Around 2 Million Head Annually (on a net basis) Since 1990



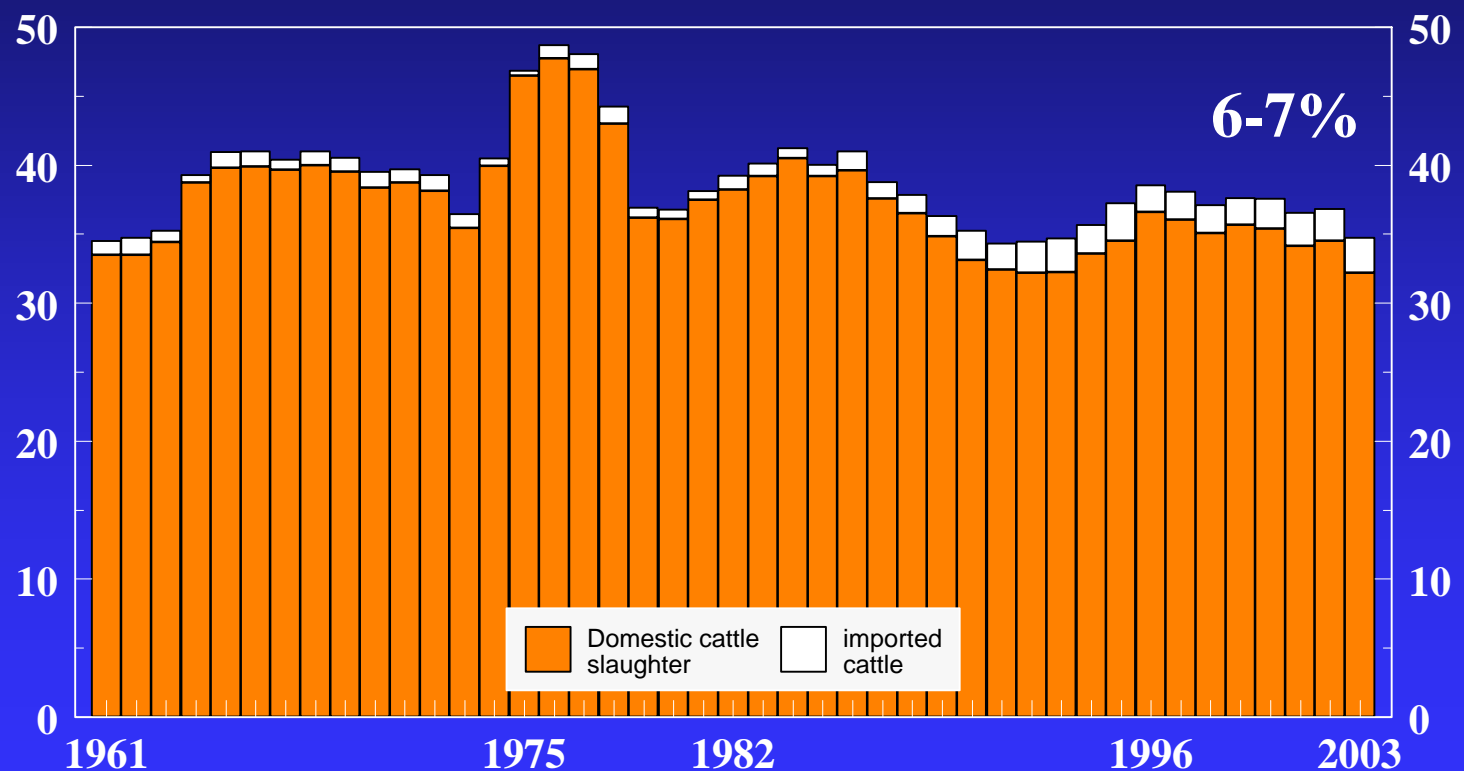
U.S. Cattle Imports are Split Relatively Evenly Between Mexico and Canada, Cattle Types Differ Significantly

Thousand head

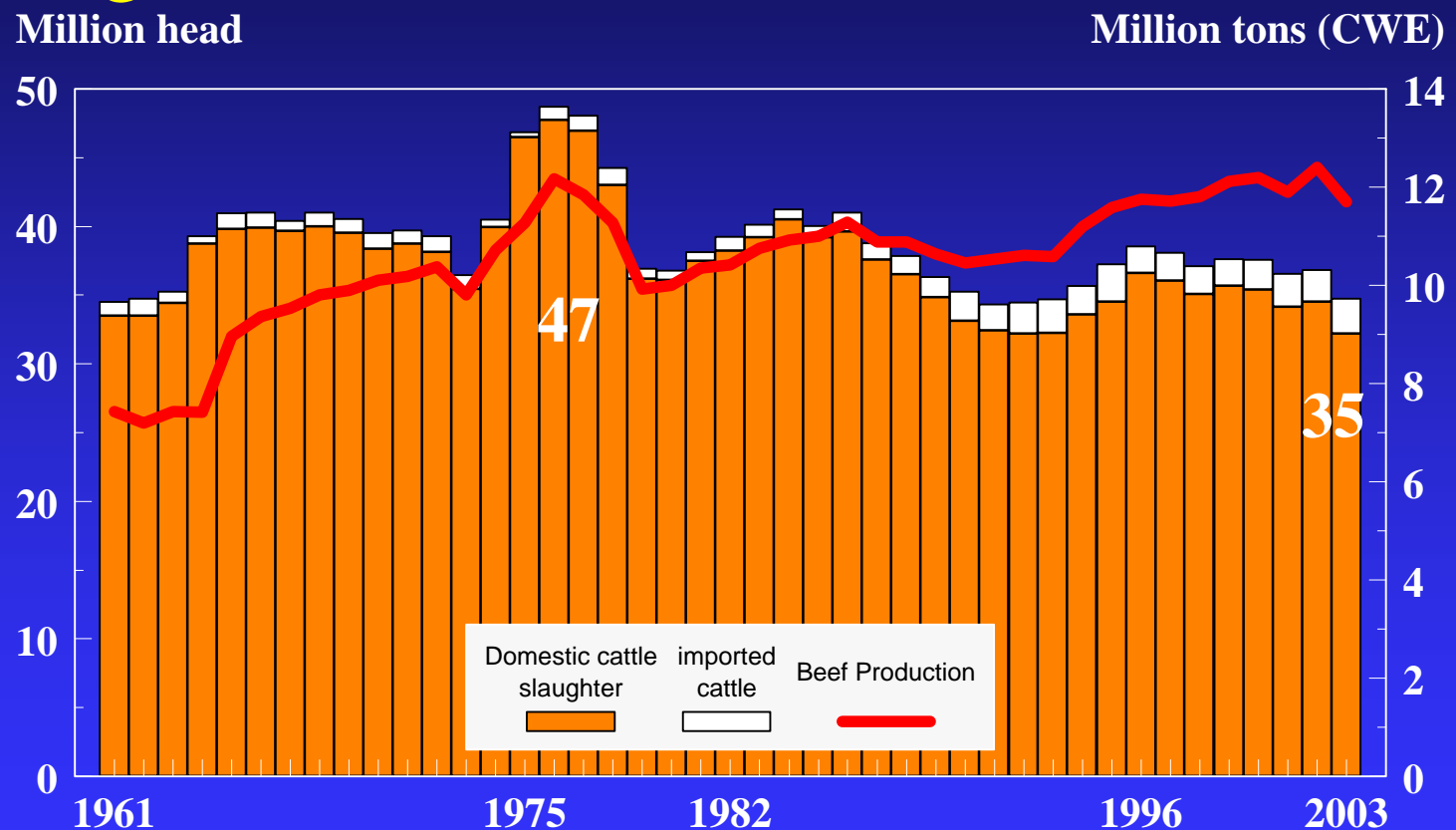


...Cattle Imports are More Significant
vs. U.S. Cattle Slaughter Numbers (6-7%
of total at present)...

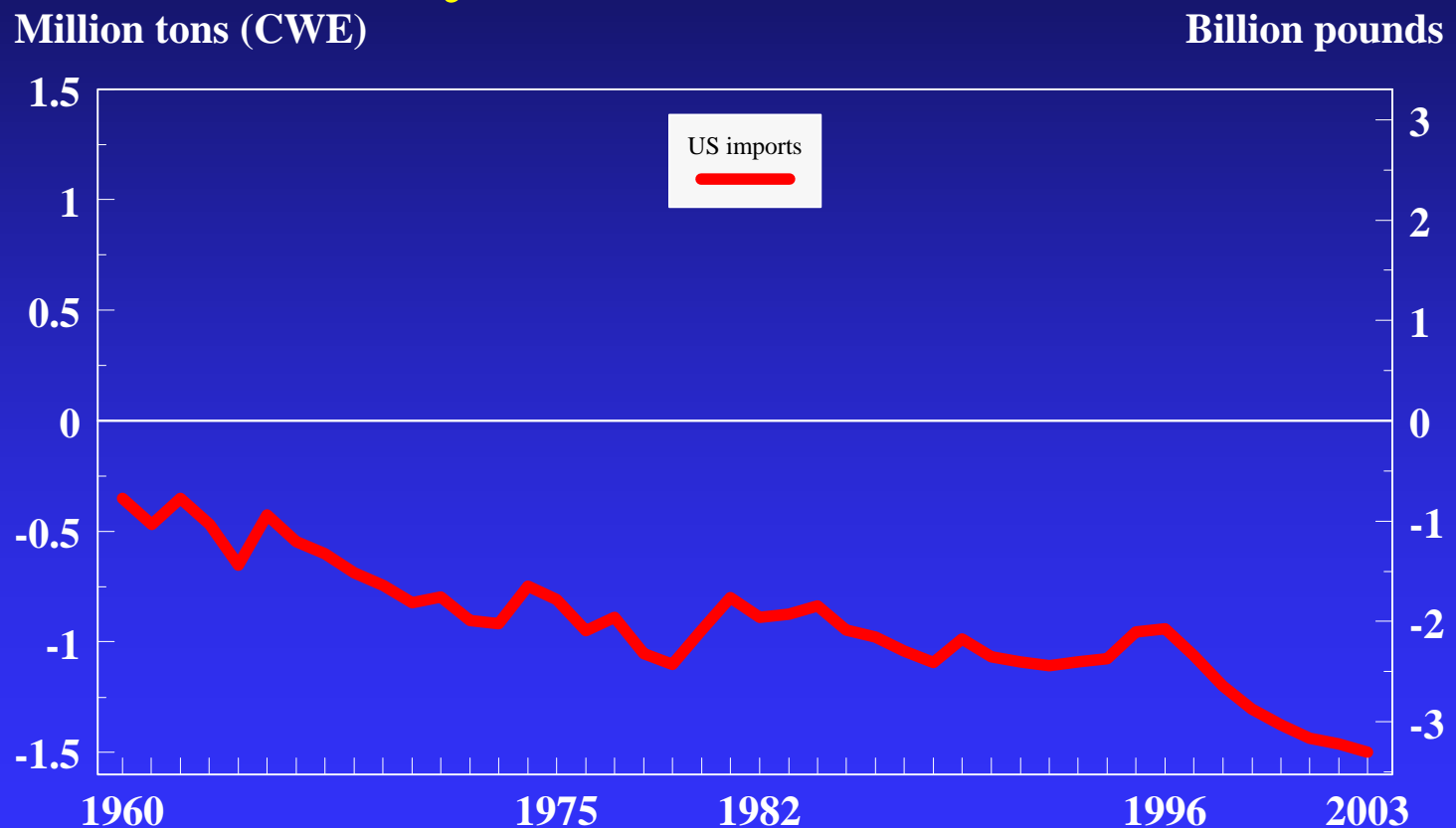
Million head



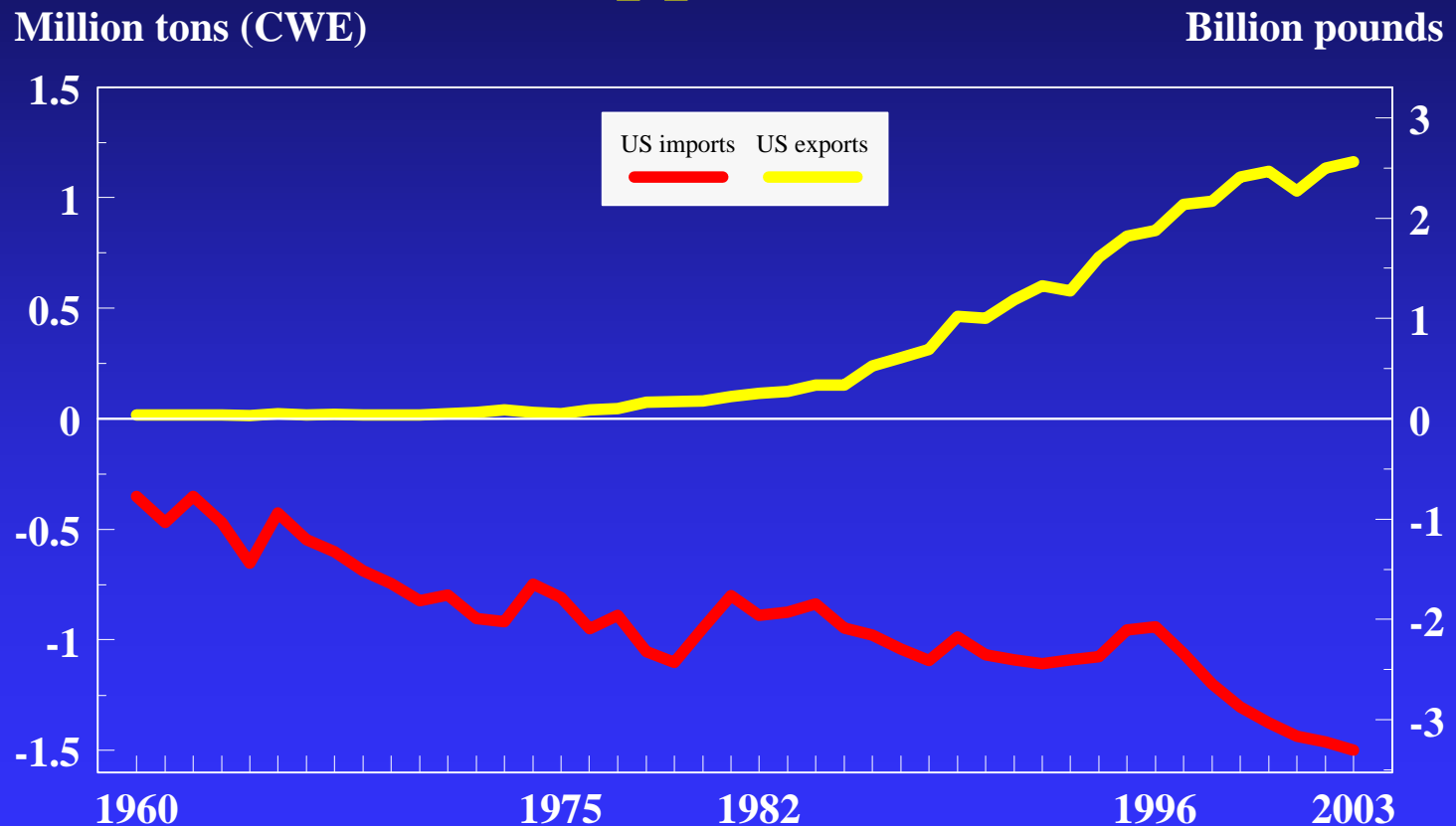
...Cattle Weights are Also Key to the U.S. Beef Situation, 25% Fewer Cattle Slaughtered, Record Production Levels



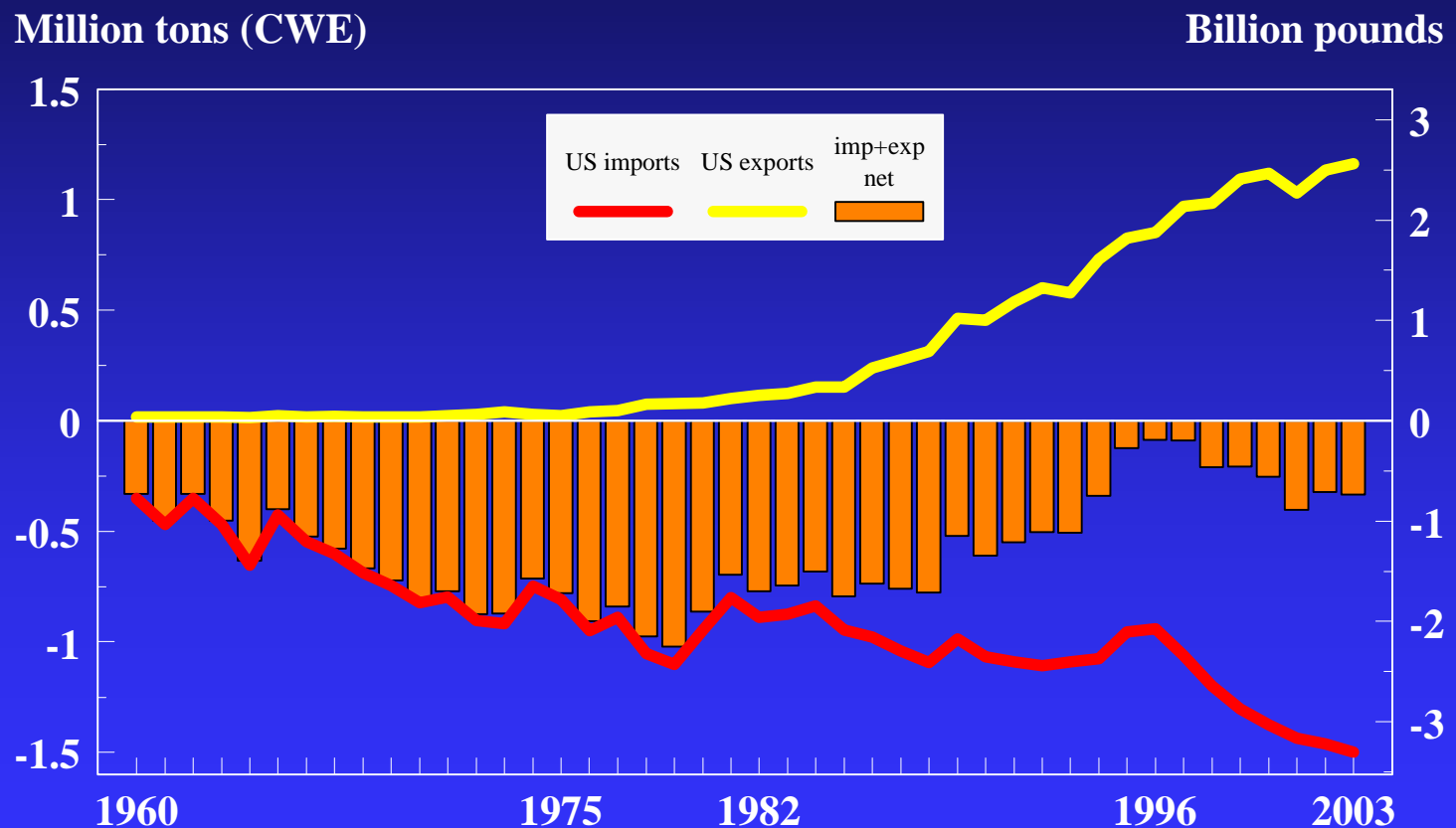
Beef Imports Also Help Balance the U.S. Situation and Have Grown With Each U.S. Cattle Cycle Reduction...



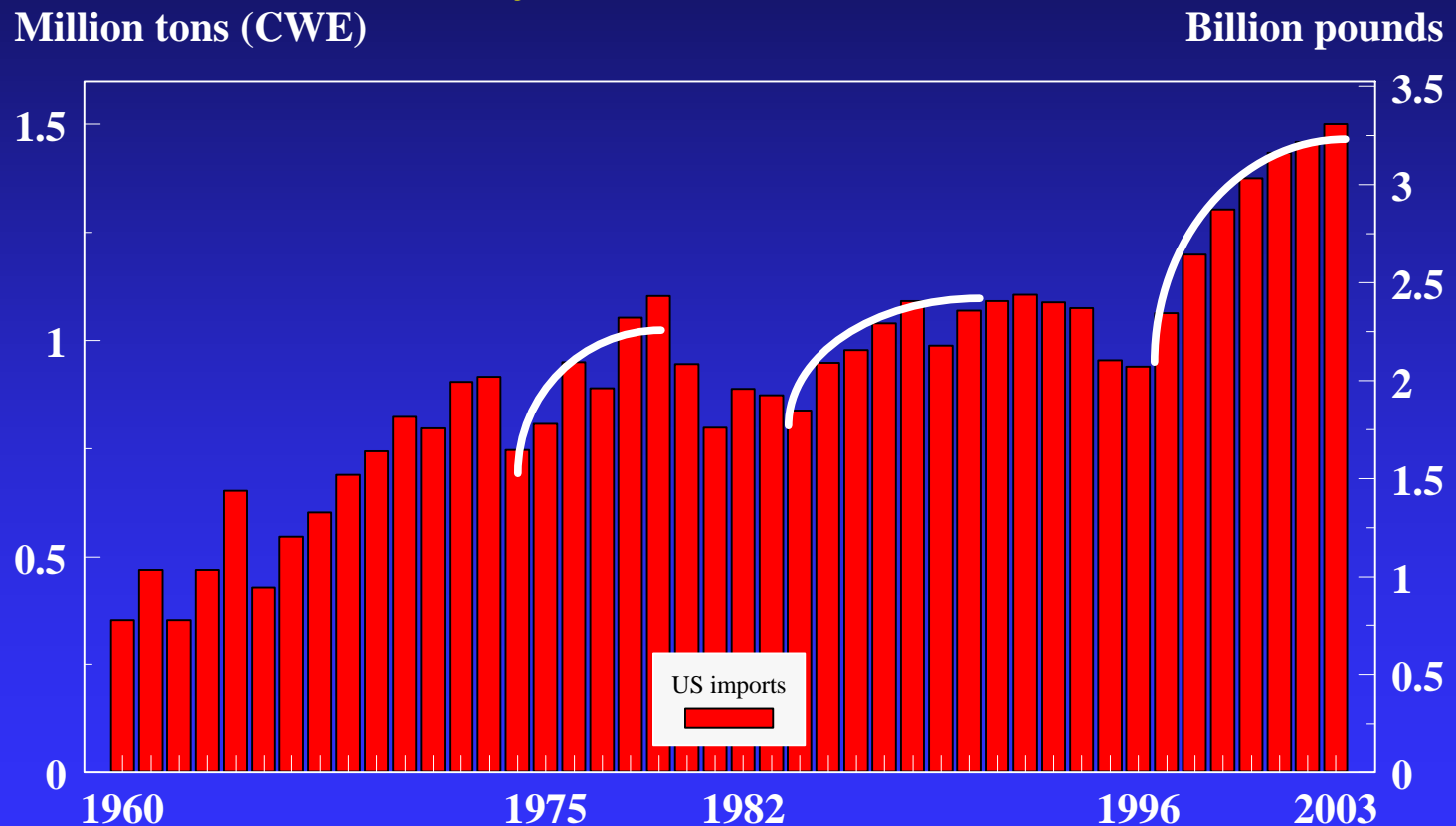
Since the Mid-1980's, Beef Exports Have Become an Added Demand Pull on U.S. Domestic Supplies...



Beef Exports Have Also Reduced the Beef Trade Deficit to Near 40-Year Lows



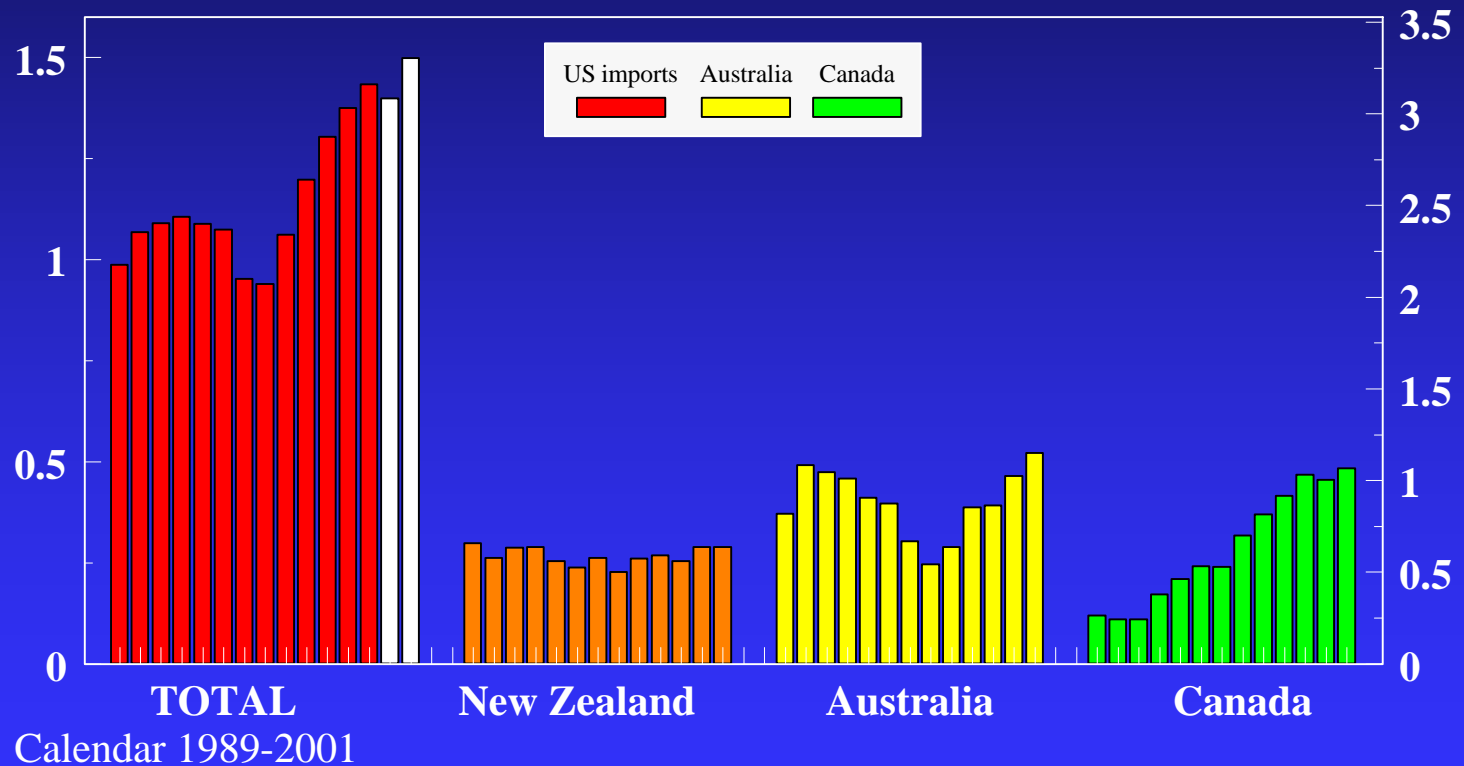
Recent Growth in U.S. Beef Imports Exceeds the Patterns Following Previous Cattle Inventory Reductions



Imports From Australia Return to Historic Highs, Canada Captures the #2 Position in the U.S. Market

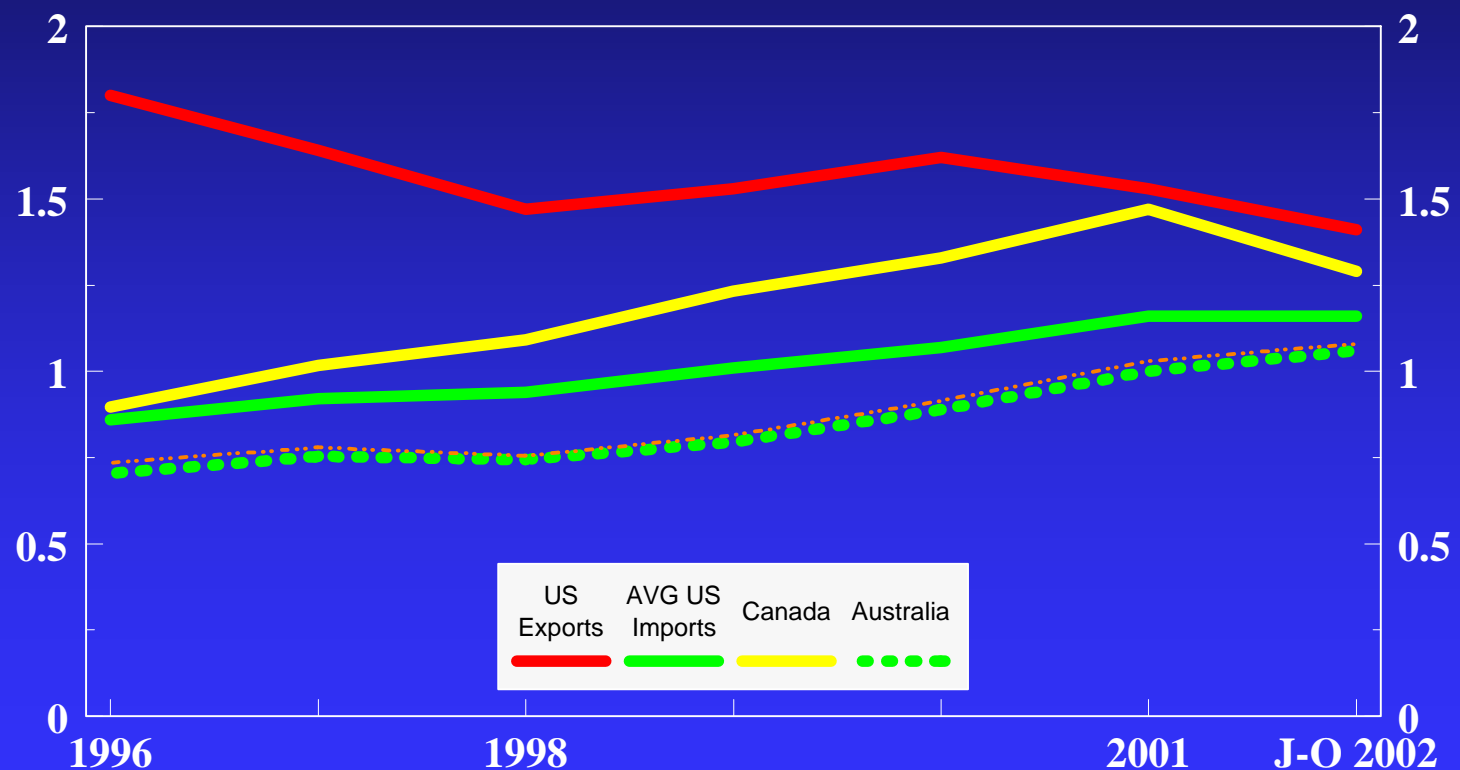
Million tons (CWE)

Billion pounds



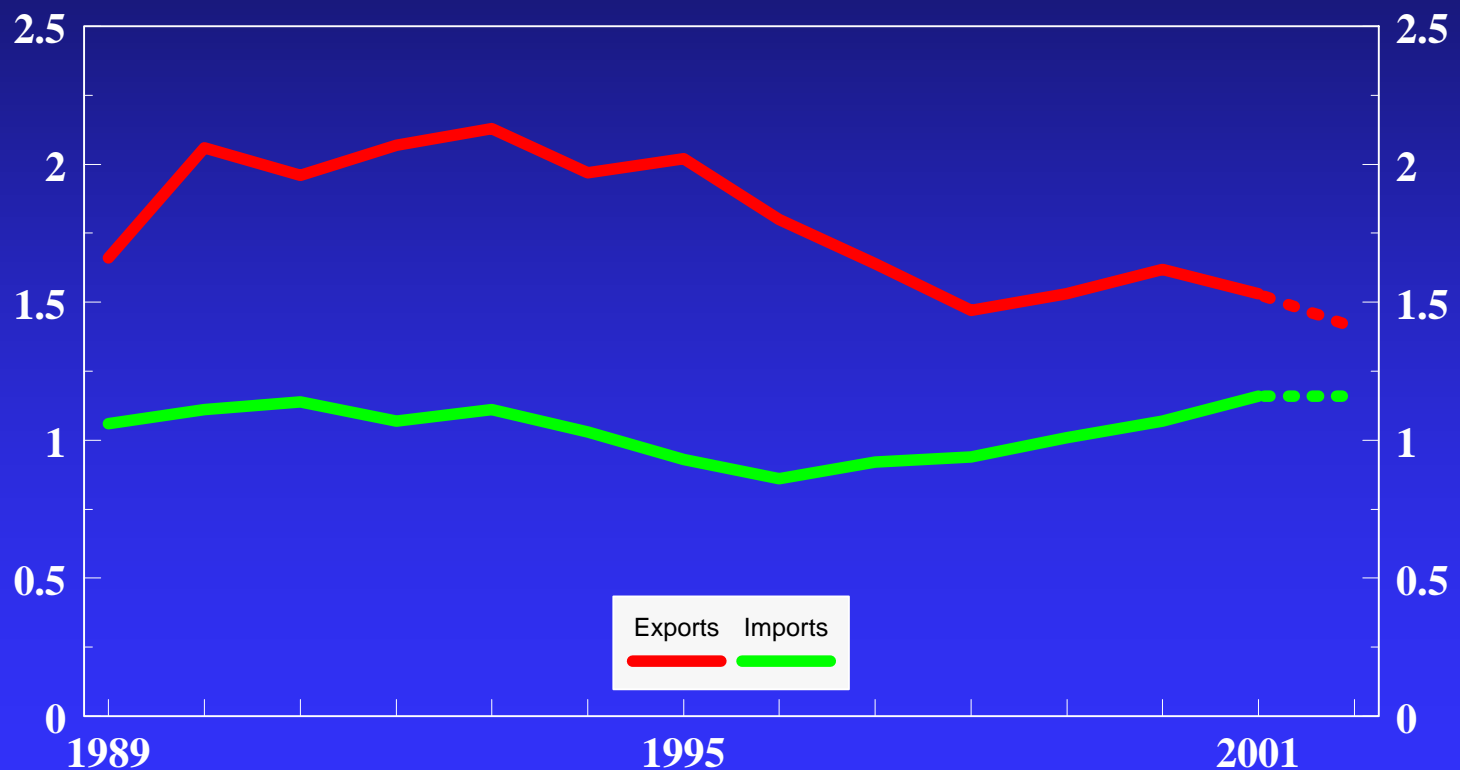
...Import Unit Values for Beef From Canada Probably Show a Quality Shift and More Market Integration

Dollars per pound



Competition for World Markets has Moved U.S. Export and Import Unit Values Closer...(\$.25 Jan-Oct)

Dollars per pound



The Challenges Facing U.S. Beef

Internationally and at Home

- Concentrated, slow growth, foreign import demand
- Competing meats
- Established competitors vying for same key markets
 - Getting stronger
- South American suppliers expanding fresh and frozen beef exports
 - Lower cost competition
 - Expanding into new markets
 - Not yet in major US markets
- US beef production does not meet domestic use
- US market is a target for all competitors